

EIR

Executive Intelligence Review

January 18, 1983

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**London rigs a debt crisis to
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Executive Intelligence Review, Dept. MC-1, 304 West 58th Street, 5th floor, New York, N.Y. 10019 (212) 247-8820.

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Executive Intelligence Review
(ISSN 0273-6314)
*is published weekly (50 issues) except for the second
week of July and first week of January by
New Solidarity International Press Service
304 W. 58th Street, New York, N.Y. 10019*

In Europe: Executive Intelligence Review
Nachrichtenagentur GmbH, Postfach 2308,
Dotzheimerstrasse 164, 62 Wiesbaden,
Tel. (06121) 44-90-31.
Executive Directors: Anno Hellenbroich,
Michael Liebig

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Colonia San Rafael, Mexico DF, Tel. 592-0424.

Japan subscription sales:
O.T.O. Research Corporation, Takeuchi Bldg.,
1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160,
Tel: (03) 208-7821

Brazil subscription sales:
International Knowledge Information System Imp.
Rua Afonso de Freitas 125, 04006 Sao Paulo Ltda.
Tel: (011) 289-1833

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in part without permission strictly prohibited.
Second-class postage paid at New York,
New York and at additional mailing offices.
3 months—\$125, 6 months—\$225,
1 year—\$396, Single issue—\$10
Academic library rate: \$245 per year

EIR

From the Managing Editor

In a release dated January 4, 1983, *EIR*'s editors commented on one of the most important recent news developments, a development that is discussed in depth in this week's issue. The release states:

"A term invented by *EIR* Contributing Editor LaRouche back in May 1982 is the cover-story for the Jan. 10, 1983 issue of *Time* magazine. That term is 'Debt Bomb.'

"This is not untypical. . . . What you read in this week's issue of *EIR* may not appear in *Time*, *Newsweek*, *Business Week*, *U.S. News & World Report*, or the *Wall Street Journal* for as long as weeks or months ahead. . . . If you need a newsweekly that has the insolence to tell you the real story weeks or months ahead of the rest, there is probably no political-intelligence publication—at any price—that has piled up the record of believability and importance to match the *Executive Intelligence Review*.

". . . You should read *Time*'s story, of course, but wouldn't you also wish to know the part of the story *Time* doesn't tell, why *Time* published this cover story at this time?"

This week's Special Report is focused on the battle raging internationally over proposed development of anti-ballistic missile systems, as we publish Lyndon LaRouche's comprehensive "Reply to Soviet Critics" of his program for beam-weapons development. Many influential persons are coming to agree with the necessity of implementing his proposal, LaRouche reports, without really understanding the deeper standpoint from which he developed it.

Susan Johnson

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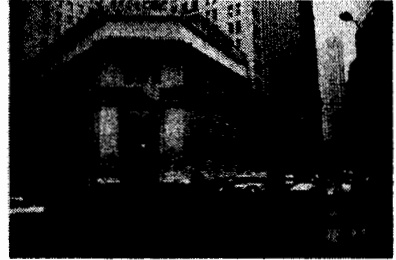
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Morgan Guaranty Trust's Manhattan offices
NSIPS/Stuart Lewis

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Morgan breaks the rules of the game: will the game break Morgan?

by David Goldman

About the date of this writing—the morning of Jan. 7, 1983—a group of international bankers convened at the London headquarters of Morgan Guaranty Trust are tallying the results of telex messages from 1,400 banks around the world who hold greater or lesser amounts of Brazilian paper. The telexes are to inform Morgan, the lead manager of the bankers syndicate that met last Dec. 20 at New York's Plaza Hotel to confront the Brazilian debt crisis, whether they will agree to a total \$23 billion refinancing package.

The reigning irony at Morgan's London headquarters is that whether or not the replies are predominantly positive, today's caucus will have marked the point that the world went out of control. Morgan, through its many channels of influence, took the opportunity of Brazil's impending bankruptcy to launch a grandiose scheme to terrorize the American Congress, seize control of the federal treasury, and bring America's allies to heel in a world monetary reorganization to be dominated by the old families of European finance. The content of the monetary reorganization, touted in various circles as a "New Bretton Woods," would be two-fold: it would dump the weight of the \$1.4 trillion Eurodollar market onto the international credit standing of the United States, and it would subject the developing countries to sufficient austerity to "kill the Third World," in the phrase of an aide to Bank for International Settlements president Fritz Leutwiler.

What has come across the public stage since Dec. 20 can be summarized as follows: Morgan Guaranty, with Citibank the lead manager of the Brazilian private creditors' syndicate, staged a showdown in which the creditors were offered two

alternatives, namely a one-shot 12.4 percent increase in their Brazil exposure, or a Brazilian default. Simultaneously, the U.S. administration and Congress were offered two similar choices: to turn over the keys to the Federal Reserve printing presses, as well as the taxation powers of the Treasury, to the Bank for International Settlements, or to suffer the consequences of a world financial collapse. By staging the Brazilian crisis as a last-minute theatrical gesture, Morgan hoped—as various of its leading spokesmen admitted in background discussions—to stampede the Congress and administration into approving a general bailout of the banking system. Such a bailout, with an initial \$30 billion contribution by the U.S. Treasury, would merely precede a general monetary reorganization under which the Bank for International Settlements would obtain not merely U.S. membership for the first time, but dictatorial powers over the budget powers of national governments.

Watching this with sympathetic interest from the sidelines of the monetary negotiations was the Soviet Union's Yuri Andropov, whose reasoning followed the same track as banker Peter Peterson, who most recently surfaced on the front page of today's *Washington Post* as the leader of a group of former cabinet members denouncing Reagan economic policies. Peterson had begun a campaign at a London press conference in November attacking the president's military budget, on the grounds that the American budget deficit resulting therefrom threatened the world financial system; Peterson's argument boiled down to a recommendation that the Treasury turn over taxed and borrowed funds to the International Monetary Fund or Bank for International Settlements,



June 15,
1982



January 10,
1983

EIR reported the fact: six months ahead of Time magazine. Why did Time choose to finally, belatedly, admit the truth of our coverage?

in lieu of debt-repayments by bankrupt developing nations.

The actions of Morgan Guaranty Trust, the only major American bank to fly the Union Jack in front of its New York headquarters, and British Defense Minister Francis Pym, are not coincidental: Pym, breaking ranks of NATO defense ministers, flew to Moscow Jan. 2 with an announcement that Britain favorably viewed Andropov's recent "peace initiatives." Andropov's view of the matter is clear: as Soviet representatives have repeatedly stressed in background discussions, Soviet policy is to build particle-beam missile defense systems as fast as possible. However, the Soviets do not want the United States to do the same, and sympathize with Western efforts to limit defense spending. It happens that banker Peterson belongs to the commission formed in 1977 by former West German Chancellor Willy Brandt. The Brandt commission leadership overlaps with the Robert McNamara-Maxwell Taylor-McGeorge Bundy "nuclear freeze" movement, which has otherwise won Andropov's sympathies.

Time magazine's "debt bomb" cover-story splash, which appeared Jan. 3, was designed by its authors—the economics department at Morgan Guaranty—to "corrupt public opinion" and terrify away congressional objections to major funding of the International Monetary Fund, according to Morgan Economist Rimmer de Vries. *Time's* cover story, which ironically employs the term, "debt-bomb," coined last spring by *EIR* Contributing Editor Lyndon H. LaRouche, Jr., broke the rule of silence imposed by the banking elite after the Mexico crisis broke full-force in September: the back columns of the financial press might raise the danger of a

world banking-system crash, but under no circumstances could this be brought to the attention of either the public or, for that matter, the developing nations themselves. The myth of U.S. economic recovery had to be preserved at all costs, in order to stall matters until the bankers could achieve some global solution.

Breaking this rule, Morgan changed the nature of the international financial game in a fundamental and unpredictable fashion. The devil is now loose, and none of the participants in the plots and subplots hatched at 16 Wall Street have any notion of the ultimate result of their actions.

As with most protagonists in tragedy, it may not have appeared to Morgan's senior management, or such members of their international advisory group as Jean Riboud of Schlumberger or Carlo de Benedetti of Olivetti and old Venice, that there was any choice in the matter. West German and French banks, among others, began to refuse to roll over their short-term loans outstanding to Brazilian borrowers, especially the \$12 to \$14 billion that Brazilian private commercial banks had borrowed on international markets after syndicated money dried up earlier in the year. Mr. Delfim Netto, Brazil's economics minister, had toured the world in search of syndicated loans in October and November and come away from the European capitals with empty hands. If the trend continued, Brazil would have found means to make its payments due on syndicated loans in January and February, and then shut the window.

From the standpoint of the Morgan Bank, and their European associates like Schlumberger of Geneva and de Benedetti of Venice, the crisis had to come in January: were it

to wait until February or March, the Ibero-American nations might have time to form the weapon Morgan feared most, the "debtors cartel," and the ranks of international bankers would have been split on the most fundamental of issues: those who get paid, and those who don't.

Morgan's bull moose behavior . . . may produce not merely political but legal consequences which could make life extremely unpleasant on Wall Street. But that is the least of the ways in which Morgan has tripped over its own tail. . . . The round of debt-scare is an open invitation to the formation of a 'debtors cartel' now that the rules of the game have been broken.

Therefore Morgan, Citibank, and their principal contact inside the Brazilian government, Central Bank governor Carlos Langoni, rigged the creditors meeting as a crisis point (see article page 9). The day the creditors convened at New York's Plaza Hotel, the London *Times* ran the first of a series of articles predicting a year-end banking crisis to be triggered by the fear of debt default among developing nations, and the consequences of such a default upon the books of the major New York banks. The same day, Sen. Charles Mathias of Maryland—otherwise the senator of the "Ditchley group" of international bankers formed by Chase and Morgan last summer—issued a call for hearings on the international debt crisis. The hearings, which began Jan. 10, are "rigged to give Congressmen a look over the brink," according to Senate Foreign Relations Committee aides; the principal witnesses, including a list of former Treasury secretaries, also include Rimmer de Vries of Morgan (see article, p. 8).

Then, on Jan. 3, *Time's* "debt bomb" cover story was rushed into a meeting room at the White House by an overwrought aide, and shown to senior Reagan officials then meeting with—Rimmer de Vries of Morgan Guaranty Trust

and a handful of Hudson Institute economists, as well as General Motors' chief economist, Marina von Neumann Whitman. The aide's sudden entrance punctuated the warnings that de Vries and his fellow economists were then delivering to Reagan's representatives: accept massive American contributions or accept an uncontrollable monetary collapse. The Reagan aides who played an unwitting role in this little soap opera did not know that "all the unnamed observers quoted in the article were me," as de Vries later bragged to a journalist.

Time threw out the old rules, writing: "In their calmer moments, those involved insist that no such grim scenario [as a world banking crash] will ever come to pass, that the unthinkable will not be allowed to happen, and that the debt bomb can not explode. But it is a fact that for the past 21 months, particularly through the nerve-wracking autumn and winter, the bomb's fuse has been sputtering, forcing almost overnight major changes in international lending."

While the Mathias hearings start Jan. 10, bringing the same dog-and-pony show before the Congress, an elite cluster of international bankers will convene at 1825 I Street for a meeting of the "Ditchley group," sometimes described as a "private bankers' international monetary fund." Founded on Oct. 26, 1982, the Ditchley operation is described frankly by members as a "creditors' cartel to restrain credit" in background briefings, and as a harmless club to exchange information on debtor countries in public pronouncements. Ditchley serves the double function of super-syndicate-manager for closing of ranks among the banking community against both recalcitrant debtor countries and against straying bankers, who would rather be paid back than increase their exposure. It also is a lobby for the creation of a "super-fund" at the IMF, with tough conditionalities, to bail out bankers while putting countries through the sort of killer-squeeze that Fritz Leutwiler otherwise recommends. Ditchley's Jan. 10 meeting is devoted to both topics.

In their rush to grab control of events, Morgan's managers overlooked one danger, which prompted nervous calls to New York bankers by Senator Mathias. By establishing a bankers' agreement to restrict credit, the Ditchley group falls under the criminal-conspiracy provisions of the Sherman and Clayton Anti-Trust Acts of 1890 and 1914. "If you banks want to restrict credit," Mathias aide Charles Yost, Jr., reportedly told one New York banker, "then you will be violating the law. Of course, we want you to restrict credit. So you bankers have to tell us what you want to do. If you do want to restrict credit, then Mathias, [Sen. Bill] Bradley (D-N.J.), and [Sen. John] Chafee (R.-R.I.) will have to go about changing the anti-trust law." Whether Mathias' role in this amounts to solicitation to criminal conspiracy is an interesting question. Other Congressmen less disposed to the bankers' plans are planning various forms of action on the potential anti-trust matter.

In this form, Morgan's bull moose behavior on Capitol

Hill and the administration may produce not merely political, but legal, consequences which could make life extremely unpleasant on Wall Street. But that is the least of the ways in which Morgan has tripped over its own tail. The factor in their scheme most likely to go haywire is the internal political position of the developing nations. American political observers fear that Langoni, the Brazilian central banker who played the lead role in the Sept. 20 installment of Morgan's little drama, may have overstepped the bounds acceptable at home, particularly since he used the opportunity to venture to replace Brazil's economic minister Delfim Netto. What worries the Federal Reserve is the encroachment of economic reality. "The going is going to get tougher," said one senior Federal Reserve international department officer. "We have not come to the hardest part of this yet. It looks like we will be able to get this package together, but that isn't the big problem. Delfim's economic program [predicting a \$6 billion trade surplus for next year—D.G.] is a bunch of hooey, and everyone who knows anything about Brazil knows it. And changes in this projection will alter Brazil's cash-flow considerations considerably. We've got to keep it pasted together day to day, until the group running the show down there comes out with a convincing program. Otherwise nothing will work."

Morgan staged an effective round of political theater, but it turns out to be a play within a larger tragedy, in which the decisive role may likely be played by the debtor nations themselves. The round of debt-scare is an open invitation to the formation of a "debtors cartel," now that the rules of the game have been broken.

How the media are readying public opinion for a collapse

Since late November, a number of widely read newspapers and magazines in western countries have been circulating warnings—often in the form of exotic scenarios—that an international banking collapse can occur in 1983.

One of the first of such articles appeared in the January issue of *Playboy*, which began arriving on newsstands in November. The author, Paul Erdman, is known for his best-seller "The Crash of '79." According to Erdman, *Playboy* owner Hugh Hefner decided to run the article following discussions with "his good friend" Bernie Cornfeld, the Swiss-linked financial swindler who set up Investors Overseas Services.

On Dec. 20, the London *Financial Times* and *London Times* ran articles warning that a financial disaster was about

to erupt. The *London Times* specified that just-released figures in the United States revealing the exposure of U.S. banks on loans to developing countries could collapse confidence in the banking system, and even trigger a banking crisis "before December 31."

Other journals which have run such items include the French daily *Le Matin*; the French weekly *L'Expansion*; and the ultraleftist, counterculture magazine from West Germany, *Tageszeitung*.

On Jan. 2 and 3, newspapers throughout Western Europe and the United States ran coverage of interviews provided by Alan Greenspan, economist and board member of Morgan Guaranty Trust Company, in which Greenspan stated that a run on the banks in the United States could not be excluded. Greenspan made similar statements on U.S. television.

Characteristic of the type of scenarios which have appeared in the international press is the following article from *Le Matin* Jan. 4.

It happened in 1983: The catastrophe scenario

"The terrible year," the "bottom of the recession": when certain Cassandras, in the fall of 1982, had made such dark predictions for 1983, politicians, trade unionists, businessmen . . . had shrugged their shoulders. As if political change in France was synonymous with progress. . . .

Well, but it happened. Everything started with an incident, a seemingly small one for the American economic giant. In the bible of business across the Atlantic; the *Wall Street Journal*, dated March 10, 1983, there was just a little box, however, well situated at the head of the second column, a place to attract the eye of the connoisseur. Eight lines explained dryly that the Daley bank (Idaho) tied to Chase Manhattan, that model of the international financial gotham, was filing bankruptcy.

But on March 13, the bomb fell. The very respectable *Financial Times*, the mouthpiece of the City and banking establishment, dropped a bomb. "Chase" . . . was going to go bust. The problems of its putative daughter, the Daley bank, victim at the same time of the massive withdrawals of its depositors and of an accumulation of "questionable paper" from its mother house, happened to prefigure the difficulties of the latter. Thunderstruck, the financial community discovered with stupor that sometimes reality is worse than fiction. Of course well informed circles already had been rumor-mongering for a year that the foreign holdings of the big American banks were ten times larger than their shareholder capital, that they reached "cumulatively" the astronomical sum of 205 billion dollars. . . . But the rapidity with which the Fed had come to the rescue of the establishments implicated in the bankruptcy of the Mexican States (100 billion dollars) had acted as chloroform on the American banking elite.

The collapse of Chase, followed in the following weeks

by the convulsions of Manufacturer Hanover, of Morgan Guaranty, and of Continental Illinois came as an icy shower. After America, the shock hit Europe and Japan. At the beginning of April, Credit Lyonnais, Dresdner Bank and the Bank of Tokyo learned in turn—and at their expense—the danger of an insufficient restructuring of the debts of Poland, Rumania, Argentina, Brazil, or Nigeria.

“I had never seen anything like this, from the memory of a stock broker,” said a professional from a big English bank. “Every day the dollar lost at the opening between 10 and 15 points. But as the hours went by, this decrease of the green note became meaningless as the decline of all the great Western currencies became general.”

“. . . The collapse of the dollar not surprisingly led to the collapse of the big American companies dependent for up to 40 percent on Third World markets and already damaged by the failure of Reaganomics. . . . Reaganomics, after having predicted recovery all through 1982, was beating a retreat, leaving behind a desolate landscape: the leading lights of industry were on the carpet: International Harvester, Chrysler, PanAm. But also a record budget deficit of 150 billion dollars, an unprecedented commercial deficit, rampant inflation. . . . In the countries of the OECD . . . they did not all die, but all were hit.”

***Tageszeitung*, Jan. 3, 1983 'There Once Was a Collapse.'**

“The collapse of a large Brazilian company has torn U.S. banks to the depths,” the article, which is purposely dated April 1983, begins. “The matrix of the Eurodollar market is pulling German banks into bankruptcy,” despite efforts by the central banking authorities to save them. The article concludes by describing how dictatorships are set up all over the world, run by the International Monetary Fund, which military governments are still unable to finance the debt.

Rimmer De Vries: 'It's not really bribery, . . . we corrupt public opinion'

Time magazine adviser and Morgan Guaranty Trust chief economist Rimmer de Vries, who virtually authored Time's 'Debt Bomb' cover story, told a journalist Jan. 5 that the purpose of the cover story was to "corrupt Congress." Congressmen will complain about giving money to bail out the banks rather than to the unemployed in Michigan, de Vries said, and therefore have to be "corrupted."

A transcript of de Vries' discussion with a journalist follows:

Q: I see your analysis has been printed by *Time* magazine. Will this help the cause of the New Bretton Woods in Congress?

A: Yes. This is a public education campaign, after all. I was the source for some of the quotes, and in fact that was I who was quoted when they said “observers say . . .” I was just in Washington yesterday discussing this.

There is absolutely nothing new in the *Time* article. For an economist, there was nothing for me to learn at all. This is to educate the public. You have to understand the Congress. In the final analysis, Congress is only concerned to listen to public opinion. The Congress will have to be responsible for the IMF expansion, in the final analysis. The point is, *we have our own way of corrupting the Congress.* It's a form of corruption we use. It's not really bribery, in the form of actual money, but it is corruption all the same. Corruption by the corruption of public opinion.

Look at [House Banking Committee Chairman Fernand] St. Germain. He doesn't want to look at new money for the IMF. Too bad. His public is complaining that there is all this unemployment in Detroit. So why should the U.S. government give money to bail out Brazil? He's too worried about that. So we have to make deals. That's the game, the way Washington works is to make deals. That's what St. Germain was talking about two weeks ago, when he said that certain things have to be done on the domestic economy—he wants to make a deal.

The Senate will behave responsibly with respect to the IMF. I'm not worried about them. It's the House which is going to try to extract some concessions on the domestic side.

The point is public education. This was just the first in a series of articles. There will be a lot more good articles and papers coming out.

Q: Has all this scare around the Brazilian bankruptcy helped you?

A: Yes.

Q: What is the status of the consortium?

A: You should write that Brazil and Mexico haven't quite been put to bed yet. The consortium will be glued together at the end of this week—for the time being, that is. We'll hold it together for a while. But it's not over yet. You should write that.

De Vries told journalists last month that his principal objective was to force the United States to join the Basel-based Bank for International Settlements, the semi-private, Swiss-controlled “central bank for central banks” that is supposed to take the principal role in “managing” the world debt crisis. Since the BIS has status under Swiss, but not international law, it is far more independent of national governments than is the International Monetary Fund, its sister organization. For the same reason, American entry into the BIS would represent a breach of national sovereignty.

How Morgan rigged Brazil's debt crisis

by Mark Sonnenblick

The world financial system has been hanging by a thread for the past two weeks over the fate of Brazil's efforts to renegotiate \$27.2 billion of its foreign debt.

As all players in the game know, a Brazilian default on its \$90 billion debt could break the back of the international banking system. *EIR* has uncovered one of the most bizarre stories of modern financial history in the way British-run Morgan Guaranty Bank took control over, and proceeded to wreck from the inside, the Brazilian debt renegotiation. Everything indicates that Morgan is trying to bring down the whole house of cards.

On Dec. 20th, the three top Brazilian financial officials gathered 125 of their largest creditors at New York's Plaza Hotel. *EIR* and some of the more diligent bank economists expected Brazil to announce a moratorium and full-scale restructuring of its debts. Instead, Brazil presented a complex four-point program for rolling over all forms of long- and short-term loans from the banks and getting \$4.4 billion in new loans to help meet interest payments. There was general agreement among bankers the next day that they would accept the four-point package.

When the bankers arrived in their offices Dec. 30, the day on which they were to telex their responses to the Brazilian program, they found a telex signed by the Brazilian Central Bank announcing that Brazil would withhold repayment of principal on long- and medium-term debt starting January 3; they also found a Reuters wire misreporting that Brazil had declared a unilateral debt moratorium and that Finance Minister Ernane Galveas had resigned in protest.

On Dec. 31 Morgan Guaranty, the bank controlling the debt renegotiations, reported that commitments had been received thus far, for only \$1 billion of the \$4.4 billion in new loans. Hopes for a trauma-free debt rollover evaporated.

Brazil submits to banker receivership

'Why was the Brazil debt renegotiation so badly botched?' bankers are asking each other. Certainly it is not through any failure of Brazil's economic austerity program. Brazil's entire 1983 economic policy had been calculated backwards from Morgan's assessment that bankers would be willing to provide Brazil with a maximum of \$5.9 billion in new exposure, Planning Minister Delfim Netto told the press (see

EIR Nov. 30). And when Morgan lowered that figure to \$4.4 billion, Brazil took another slice out of public sector import and investment budgets. Brazil signed a tentative agreement with the International Monetary Fund (IMF) in "record time" because Morgan Vice Presidents Tony Gebauer and Gerard Finneran and retired Citibank Vice President "Al" Costanzo had already done everything but cross the t's and dot the i's on Brazil's letter of intent. In effect, Brazil was placing its internal economic policy under the receivership of those three veteran bankers.

The Brazilians put up a dazzling performance for the bankers at the Plaza Hotel event Dec. 20—with a comprehensive compendium of debt statistics and a demonstration of how Brazil would avoid a default. And—for the clincher—Jacques de Larosiére, the head of the IMF, put his institution's reputation on the line in support of Brazil's "viable, coherent, and consistent" program. Bob Lorenz of Security Pacific commented, "de Larosiére came in with a machine gun and put it on the table."

The entire IMF-backed program, however, is based on a fraudulent premise—that Brazil will achieve a \$6 billion trade surplus in 1983. Last year, Brazil eked out an \$800 million surplus at the price of keeping the country deep in the recession which began in 1981 and of burning up stockpiles of oil and other imported materials. Today Brazil exports almost twice the volume of its products per unit of imports as it did in 1979. One by one, its newly won Ibero-American and Asian markets have been knocked out by the banks and the IMF. Brazil's exports to the Latin American region were down by 31 percent during the first 10 months of 1982.

EIR asked Brazilian Planning Minister Delfim Netto what Brazil would do if the world economy and world trade conditions continued to deteriorate. Brazil's economic mastermind replied, "If you say there will be a 10 percent decline in world trade in 1983, then not only will Brazil collapse, but the whole world will collapse."

'Morgan shoved it down our throats'

When representatives of the top 20 banks returned to the Plaza Dec. 21 to negotiate implementation of the four-point program, the euphoria rapidly faded, despite the blandishments of the Morgan-Citibank crew. François Brunt of Banque National de Paris stormed out of the meeting protesting the way everything had been "predetermined unfairly" by the Morgan group. "What shot the whole thing up from the beginning," a Brazil analyst at one of the largest Wall Street banks later complained, "is the way Morgan and Citibank shoved the thing down our throats, with no consultation with the other banks or anything and no time to decide. There was lots of resentment that they had known everything for months and had kept all the rest in the dark."

The telex sent at the end of the Dec. 21 meeting to Brazil's 1,114 creditor banks over the signature of central bank president C. G. Langoni concluded, "We ask that on about Dec.

What Brazil demands of its international creditors

Brazilian central bank president C. G. Langoni presented bankers with four proposals Dec. 20. He insisted *all four* had to be accepted by Dec. 31—later extended to March 1. Langoni left it to Citibank and his aide, C. M. Serrano, to threaten debt moratoria if the bankers delayed.

Project 1—New Money Facility

Calls for: \$4.4 billion in new loans to Brazil.

Status: Regarded by bankers as the “simplest component.” Morgan leaked that “over \$1 billion” had been committed by Dec. 31. Langoni claimed \$2.5 billion committed by Jan. 4. European and most small banks balking on increasing exposures.

Project 2—1983 Debt Amortization

Calls for: All \$4 billion in principal due to be repaid to banks to be re-loaned to Brazilian entities for eight years with 30 months grace.

Status: December 29 telex announced Central Bank would *de facto* withhold all amortization payments to creditors starting Jan. 3 to force banks to keep money in Brazil. Interest payments would continue. Any bank could possibly declare Brazil “in default,” and turn entire \$90 billion Brazilian debt into default. Most banks were planning to roll over these debts anyway. Involuntary nature of retention is only problem. Bank consent, making this legal, expected Jan. 7.

Project 3—Short-term Debt

Calls for: banks to continue revolving credits for Brazil's raw material imports and for prefinancing Brazilian exports at current \$8.8 billion level.

Status: Theoretically should be no problem. But Brazilian Exporters' Association warns banks have been refusing export prefinancing, thereby truncating Brazil's capacity to export.

Project 4—Money Market Lines

Calls for: All banks to restore short-term bank-to-bank exposure to Brazilian banks to June 30, 1982 level of \$10 billion.

Status: Few banks will voluntarily accept this; they have been closing down these lines since August, wiping out first the liquidity of Brazilian banks and then the nation's reserves. Few lenders are willing to put funds into insolvent offshore Brazilian branch banks which could be (and should have been) hived off as Ambrosiano Holding (Luxembourg) was by Italy.

30, 1982, the gentlemen send us a telex accepting our proposals to Morgan Guaranty Trust Co. of New York.” As if it were running a classic operation of vote fraud, Morgan wanted to count the “returns” in its own inner sanctum.

The confusingly written telex which announced Brazil's partial moratorium Dec. 29 was apparently also a Morgan invention. Brazil's top business daily, *Gazeta Mercantil*, reported “central bank foreign area director Carlos Madeira Serrano said the telex sent abroad was drafted by the big banks and only signed by the central bank.” By Jan. 4, a senior adviser in the Reagan administration confided to *EIR* his assessment that “the Brazil loan has fallen through.”

Brazil lost 95 percent of its export revenues to debt service during 1982, not counting the billions of dollars lost by evaporation of short-term credit lines. It paid \$7.8 billion in amortization and almost \$11.5 billion in interest, according to central bank estimates. It managed to avoid a formal default only by scraping up \$2.4 billion in “bridge-loans” from the U.S. Treasury, the BIS, and a half-dozen of the largest American banks.

The Brazilian “bailout” was politically managed by George Shultz in order to prevent Brazil from joining with other similarly penniless Ibero-American nations to force a renegotiation of the debt along the lines proposed by economist Lyndon LaRouche, on a program which would permit rapidly growing inflows of high-technology capital goods from the North. Instead, Shultz suckered the Brazilian military leadership to go the IMF route with promises of “U.S. government support,” a U.S. recovery, and a “practically automatic” approval from the IMF and the banks.

An end to growth?

There was manic rejoicing over Brazil's misfortune at the *New York Times*. It celebrated Dec. 18: “With its agreement on terms for an IMF loan, Brazil appears to have temporarily applied the brakes to its rush toward the status of a great industrial power.” The *Times* intoned that the banker dictatorship “means that the Government will not have the wherewithal to continue its huge investments in industrial projects, especially steel and hydroelectric power.” But, while the economic ministers were putting on a fine show for the bankers, Nuclebras contracted civil construction for two more nuclear power stations in Sao Paulo. In a country now letting 25 percent of its electric capacity go unused, further nuclear starts are a dramatic assertion that Brazilian growth will soon require even more energy.

Stanford University's Latin American Studies director, Dr. John Wirth, recently offered an expert assessment shared by many of the bankers who understand the impact of Brazil's rapid development: “The self-confidence of the Brazilian military is extraordinary. If they see the world economy is not able to provide trade opportunities and finances, . . . there is a great danger they will declare a moratorium. They will do it and they have the will to do it if they feel they are being worked over.”

Mexico under the IMF: case-study in forced deindustrialization

by Tim Rush

On Jan. 3, Mexicans woke up to find that a broad range of goods in their local stores had jumped 25 percent in price overnight. On that day an average 18 percent increase in the Value Added Tax (VAT) had gone into effect on all but a handful of basic necessities, combined with decontrol of prices on 90 percent of the goods that had previously been regulated. An average pack of cigarettes, which had cost 34 pesos, now rang up for 43 pesos, a 30 percent increase.

Just two weeks before, on Dec. 20, Mexicans had been traumatized by seeing a "free market" peso exchange re-established for most commercial purposes, and the value plummet to 150 to the dollar. A year before the rate had stood at 25 to the dollar. The reality of the new situation hit home as Mexicans watched tourists and other foreigners come into the country to buy everything movable—and unmovable, in the case of real estate—for a song. The flight capitalists whose work had produced the collapse of the peso starting a year ago were now waltzing back with a cool 600 percent speculative killing.

These experiences are the popular impression of what Mexico's new life under the dictates of the International Monetary Fund mean. The final accord for a three-year, \$3.95 billion package was inked Dec. 23.

But behind it lies a much more profound shift in the Mexican economy, a process of savage deindustrialization which is only beginning to be put into action but is fully elaborated on paper.

Trade reversal

Even before the IMF accord went into effect, Mexican import and export patterns showed one of the most phenomenal reversals in trade in history. Just-released Commerce Ministry statistics show that for the first 11 months of 1982, as against the same period of 1981, imports fell from \$21.2 billion to \$13.9 billion, a 35 percent drop. Exports rose from \$17.7 billion to \$18.8 billion, a 5.5 percent increase. *The balance of trade moved from \$3.5 billion deficit to \$5.0 billion surplus*, a net swing of \$8.5 billion.

For 1983, the shift from imports into debt payment will be even more extreme. The Finance Ministry projects total exports will be \$20 billion (\$16 billion public, \$4 billion private), and that net new foreign borrowing, as specified by the IMF accord, will be limited to \$5 billion. The total of \$25

billion disposable cash will be divided between \$14 billion for interest payments on the \$87 billion foreign debt, and \$11 billion for all imports, says the government. *The 1983 outflow for debt interest payments will exceed tangible goods imports by more than 30 percent.*

The new drop in the reduction of the peso so exorbitantly undervalues the Mexican currency that some stimulus for private exports can be expected. At such a "steal", a recent \$1 million deal for export of wine glasses, hardly an established Mexican export, is a sign of the times.

At the same time, oil prices are likely to weaken. And Mexico's state sector petrochemical exports, such as ammonia, are running into protectionist barriers in the natural market, the United States. The \$20 billion total export figure for 1982 can be taken as the upper limit of what will actually come in.

The 1983 budget

The premier water project for the northern semi-deserts of Mexico is the Water Plan of the Northwest, the PHLINO. High-level sources have informed EIR that the government will announce within a month, and with great fanfare, that this mammoth canal and irrigation project for the states of Sinaloa and Sonora will be continued—with one difference. *All heavy earth-moving equipment is to be withdrawn, to be substituted by issuing picks and shovels to the workforce.* Such a plan shows how the slashing of imports and

1983 Mexican budget

(in trillions of current pesos¹)

	1982	1983	% increase
Federal government (excluding state sector industry)	1.6	2.3	43.7
State enterprises and decentralized agencies	1.5	1.9	29.7
Debt	<u>1.4</u>	<u>2.8</u>	100.0
Total	4.5	7.0	55.6

¹ Government planners assume an inflation rate of 50 percent.

² Includes Pemex, Federal Electricity Commission, Fertimex (fertilizers) and Sidermex (steel).

government policy built into the 1983 budget interact.

The budget verges on being a systematic transfer of financial resources out of productive areas and into debt and social expenditures, the latter of which take on more and more the appearance of slush funds to stave off mass unrest.

The premise of the budget, as expressed in a special message sent by President de la Madrid to the congress Dec. 8, is that "the principal causes of the [economic] crisis are internal." The message asserts that of these internal causes, the most important is insufficient savings by public and private sectors to finance investment without "excessive" dependence on foreign borrowing.

The entire budget hangs from this premise. The budget calls for a 51 percent jump in revenue, in real terms, and just 1.4 percent real increase in expenditure, if interest payments are factored out. If interest payments are included, real expenditure increases 10.3 percent.

The greatest part of the increase in government revenues is slated to come from the drastic boosting of the Value Added Tax (VAT), and from sharply raising government taxation of Pemex products (to be passed on to the consumer at the pump). The budget projection is that VAT and Pemex taxes together will account for 60.7 percent of total revenue in 1983, up from 42.5 percent in 1982.

The internal composition of the expenditures side of the budget demonstrates the stripping of support to the industrial component of the economy (see Figure 1). Overall, the budget is to rise to 7.0 trillion pesos, a 55.6 percent increase slated to nearly match a projected 50-60 percent inflation level. There is no increase in real terms.

However, outlays for debt payments increase 100 percent in nominal terms, or, a 50 percent leap in real terms. Expenditures for state sector enterprises (oil, petrochemicals, electricity, steel, fertilizers, ports and railroads, etc.) show an increase of only 30 percent in nominal terms, that is, a real decline of 40 percent.

President de la Madrid's message to Congress was explicit on the shift: "The budget priorities for 1983 will be education, health and social security, the agricultural sector, and communications infrastructure. . . . The spending re-orientation changes the pattern of outlays of the past years, principally in regard to the lesser emphasis placed on the energy and industrial sectors."

The move away from industrial outlays is even greater if capital investment is examined separately. Total public investment for 1983 is slated to drop 6.5 percent in real terms in relation to 1982. Investment by the Federal Government (as distinct from the Parastate Enterprises, which represent state sector industry) is to increase 20.4 percent, while investment in the Parastate Enterprises drops 24.8 percent.

The growth in Federal Government investment is largely due to funding for special employment programs to create between 500,000 and 700,000 jobs. These are to come from the "expansion and reorientation of the public programs which are the most labor-intensive, principally in rural zones. . . .

Just the program of road infrastructure will create more than 350,000 jobs." If the funds destined for pick and shovel jobs (this is the derivation of the new PHLINO orientation) are subtracted, along with transfer payments to other sectors, direct government investment plummets 33.4 percent over already slashed levels of 1982.

Principal cuts include oil (39.2 percent); railroads (35.9); electricity (11.6); fertilizers (18.1); and steel (27.4).

Overall, the outlays for energy, industry, and agriculture in the budget (after interest payments are factored out) drop from 75.8 percent in 1982 to 66.7 percent in 1983.

To this bias in the budget must be added the effect of IMF-dictated credit policy, which is to boost interest rates back up to "competitive" levels, and return banks to profit-making rather than government-directed productive purposes. This had been partially accomplished with passage of the Dec. 29 law returning 34 percent of bank stock to private hands.

An import level of \$11 billion, (a good chunk of it going to finance between 7 and 11 million tons of grain imports, up from 3 million last year) cannot sustain Mexico's current industrial plant. Essential government import needs run \$5.9 billion, in official estimation; *EIR* estimates minimal private sector needs at \$12 billion. But the official exchange budget is \$7 billion below this combined \$18 billion requirement. Hence the IMF's prediction of only a 3 percent drop in GDP in 1983 is a farce from the word go. The picks and shovels being readied for the rural work gangs will not just put idled agricultural operatives to work; they will go into the hands of tens of thousands of skilled industrial workers.

Second, the inflation rate will be well over the 50-60 percent assumed in the budget projections—based solely on policies intrinsic to the budget, and forgetting world inflation trends. This is due to the combination of lifting price controls on all but 17 essential categories of household purchase, doubling the VAT tax, and returning the peso to "free market" rates. A new gasoline hike of up to 100 percent is rumored to be imminent, only one month after a December 100 percent hike.

What will happen as inflation continues to soar, throwing the budget calculations into the scrap heap? Labor, which accepted a markedly restrained 25 percent increase in minimum wage for the new year, did take the precaution of extracting in return the government's agreement to new adjustments "whenever justified," and not just at the time of the traditional once-a-year catchup.

The foreign exchange and budget calculations are likely to last no longer than calculations for the jerry-rigged international financial system as a whole. Perhaps the IMF-aligned "tecnicos" in Mexico's cabinet will last no longer either.

Upcoming: The results of a new run of the LaRouche-Riemann model, which show how Mexico's industrial infrastructure can be maintained, despite credit cut-off, and strengthened through corrections of previous skews toward production of consumer items with high import-content.

British solution to the debt crisis: a grab for raw materials

by Judith Wyer

During the month of December 1982, Charter Oil Company chief, Raymond K. Mason, and his long-time business associate, Armand Hammer, of Occidental Oil, made two separate visits to Mexico. Their missions were the same, to lure Mexico's new President Miguel de la Madrid into a "solution" to his nation's debt crisis.

They offered de la Madrid a scheme that, if realized, is guaranteed to destroy any future development potential for Mexico. The scheme derives from a plan attributed to the late Sir George Boulton of the Bank of England, whereby developing countries surrender oil and other raw materials in payment of debt and as collateral for future loans.

Mason proposed that Charter Oil and three other major oil companies—SoCal, Exxon, and Gulf—assume up to \$15 billion of Mexico's debt in exchange for rights up to 500,000 barrels a day (b/d) of Mexican crude over the next six years and an additional 200,000 b/d for up to ten years.

Following his trip to Mexico City, Mason conferred with officials of the U.S. Treasury Department and certain U.S. banks holding billions of dollars in Mexican debt. The Treasury Department laid the foundation for the plan earlier in 1982 when it made a \$1 billion advance payment on a purchase of 200,000 b/d of Mexican crude for the U.S. strategic petroleum reserve. That \$1 billion has never reached Mexican banks but is being used directly for debt repayment.

The bid to force the developing sector into surrendering sovereignty over its raw materials is part of a scheme to globally restructure the world economy that has been circulated by London and its Swiss allies at the Bank for International Settlements. The plan ultimately projects a world monetary system backed up by raw materials. And by all appearances, London has cut the Soviet Union into this scheme, beginning with an Anglo-KGB drive to take over the oil-rich Mideast and eradicate U.S. influence there.

The IRB revisited

The Boulton plan is the same idea that self-professed British agent Henry Kissinger first made public in 1975 under the title of an International Resources Bank. Since then various City of London and British Commonwealth outposts have been calling for this "solution" to the escalating Third World debt crisis.

In 1981, Philip Brothers, an arm of the South African Oppenheimer family's raw material empire, went so far as to call for the debt of the developing states to be collateralized with their raw materials.

Only last month, Canadian tycoon Maurice Strong, a leading member of the British Commonwealth elite, sponsored a conference on oil development in the Third World. The conclusion of the symposium was that indebted developing states will have to give multinational oil companies unprecedentedly favorable terms in the future if they want exploration and marketing of their oil. As Kuwaiti Oil Minister Ali Khalifa al Sabah slavishly put it: "It is better to be exploited and produce an income that can be used to develop your country than not to be exploited and run from one financial crisis to the next." But the kind of "development" Sabah is referring to is not one in which the sovereignty of the developing states is preserved, but one in which nations become colonies again. The Mexican case proves the point.

Should President de la Madrid agree to the offers coming from Mason and Hammer, he will have surrendered over one-third of Mexico's current oil export level for debt repayment. Not only that, but the oil which the Charter group will buy will be at prices 20 to 25 percent *under* the going market price. This volume of crude, together with the already committed shipments to the strategic reserve, amounts to over half of Mexico's current total exports; its sale at such low rates would drastically decrease the funds available for industrialization and for Mexico's large import bill.

Moreover, if Hammer and Mason succeed, Mexico will become the model for the City of London's bid to grab raw materials and in so doing recolonize the developing nations. A British oil analyst with Chase Manhattan Bank projects that "Nigeria will be the next Mexico." Before their nationalizations, the oilfields of both Nigeria and Mexico were controlled by British Petroleum and its sister company, Royal Dutch Shell.

The special role of Armand Hammer

Occidental's Armand Hammer is no newcomer to the raw materials grab game. Hammer, like Maurice Strong, has cultivated an image as "friend" of the developing world, but in fact he represents the neo-Malthusian policies of the Brandt

Commission on North-South relations and the Club of Rome.

During the mid-1970s debt crisis in Peru when every other foreign oil concern picked up stakes and left the country, Hammer made certain under-the-table deals with the desperate Peruvian government which netted Occidental some of its greatest net returns on an investment. In the process Hammer was instrumental in getting Peru to sacrifice its investment laws which protected the economy from looting by foreign interests.

Hammer is known to advocate the same treatment for Mexico. Hooker Oil, a petrochemicals firm which Hammer operates in Mexico, helped establish the Social Democratic Party there, a terrorist-linked anti-growth entity which serves as a battering ram against national development plans. Hammer is also known to fund the anti-nuclear movement in France, and provides financial backing for the Swiss-based Islam and the West, an elite organization that runs the semi-secret Muslim Brotherhood movement in the Mideast, that in turn put the Ayatollah Khomeini in power in Iran. It is little wonder that Hammer has maintained a years-long special relationship with the outlaw regime of Libyan strongman Muammar Qaddafi, just as he backs the Pakistani dictator and mass murderer General Zia ul-Haq.

These are the models of fascist dictatorships which the City of London and its KGB allies will install if the British drive for recolonization succeeds. They will act as London's puppets just as has the murderous Khomeini in destroying the independent development potential of their countries.

Manipulating the oil markets

By asking Mexico to sell its oil at prices well under the world price, London is using Mexico to keep downward pressure on oil prices. *EIR* has documented how Royal Dutch Shell and British Petroleum are quietly working with Iran and Libya to dump hundreds of thousands of barrels of crude on the world market at prices well below the \$34 a barrel OPEC benchmark price. The result is that a number of developing states that are solely dependent upon oil income must now impose extreme austerity and put a halt to development plans. This in turn cuts into the badly needed export contracts of industrial countries and only compounds the worsening global economic depression.

A prime objective of London and its U.S. agent-of-influence, Secretary of State George Shultz, is to force Saudi Arabia to lower its oil production even below its already 10-year low level of 5 million b/d. In so doing Iran and Libya will increasingly become the dominant forces within the OPEC cartel. At this writing, Libya and Iran are producing slightly more oil than Saudi Arabia. The pretext for Shultz's bid to gain a sharp Saudi production cut is to stabilize the depressed price of oil. But sources close to Shultz admit that the Secretary of State, who maintains close ties to the British Morgan banking group, knows that such a demand could destabilize the regime of King Fahd, and open Saudi Arabia up for an Anglo-KGB coup.

At the OPEC meeting in mid-December, Saudi Oil Minister Zaki Yamani was reported to have been threatened by his Iranian counterpart that Iran would invade Saudi Arabia if the Saudis did not drastically lower oil exports.

Energy and a Euro-Soviet axis

Like Khomeini's Iran, the Soviets have been dumping large volumes of crude oil and products on the speculative Rotterdam spot market. This has acted to depress world oil prices, given the gross oversupply of crude and the continued downturn in world demand. A sudden upturn in Soviet oil sales on the spot market in late 1982 acted to depress the anticipated seasonal upturn in prices.

Since the beginning of 1982, Soviet exports of oil to Western Europe have risen by 25 to 30 percent, with the largest single jump being West Germany. A well-placed Washington source observed that the new Soviet leader Yuri Andropov would like nothing more than a destabilization of Saudi Arabia, since this would tend to discredit the Gulf states as a source of oil supplies and thereby boost Western European dependency on the Soviets. Andropov may be getting help from Israel Defense Minister Ariel Sharon, the source warned. Sharon, who has covert links with Andropov's KGB and with Khomeini through Israel's arming of Iran, favors an Iranian invasion of Saudi Arabia.

London appears to have cut Moscow in on a deal to sell more oil to Western Europe in exchange for which certain British-allied OPEC countries deliver crude to Eastern Europe. Moscow has long sought to reduce Soviet oil shipments to Eastern Europe in order to move its crude and petroleum products to more lucrative Western European markets in order to earn badly needed foreign exchange.

Earlier this year Moscow announced it would reduce its oil sales to Eastern Europe by 10 percent in 1983. For the first half of 1982, Soviet oil sales to Western Europe already showed a marked increase. Though the relative volume of oil is still small, the sharp increase marks a definable trend. Oil sales to Italy were up 145 percent to 165,000 b/d, to France up 22 percent to 155,000 b/d, to the Netherlands up 50 percent to 220,000.

While West Germany's total 1982 petroleum imports dropped by 9 percent, Soviet exports to Germany increased by fourfold for the first nine months to about 550,000 b/d, about 5 percent of Germany's total consumption.

Increased Soviet sales to Western Europe were offset by a hike in oil shipments to Bulgaria, Hungary, Romania, and East Germany by Iran, Libya, and Kuwait. In 1982 Kuwait's oil exports to Eastern Europe climbed by 90 percent to between 25,000 and 30,000 b/d. Libya's oil shipments to Eastern Europe were primarily bartered for arms. Certain such transactions were valued at as much as 300,000 b/d of oil!

Andropov's sudden rise to power poses other questions about Soviet designs on the Gulf region. Andropov has appointed Geydar Ali Reza Aliyev to the Politburo. From the time Andropov became head of the KGB in 1967, Aliyev,

who comes from a Persian Shi'ite Muslim family, was head of the KGB in Azerbaijan, the ethnic region which spills over into Iran. According to a profile of Aliyev in the Italian daily *La Stampa* last month, he advocates a policy of seeking harmony between "Islam and Leninism," and it is known that Aliyev has developed his own avenues of influence in Iran, particularly in the northern provinces.

Iran remains a country of crucial importance to the U.S.S.R. Before Khomeini's Islamic revolution, the Shah had agreed to a huge natural gas agreement in which Iranian natural gas piped into the U.S.S.R. would be substituted for Soviet natural gas to be piped into Western Europe. Khomeini has yet to renew that agreement, which Moscow needs as a complement to the giant gas deal with Europe.

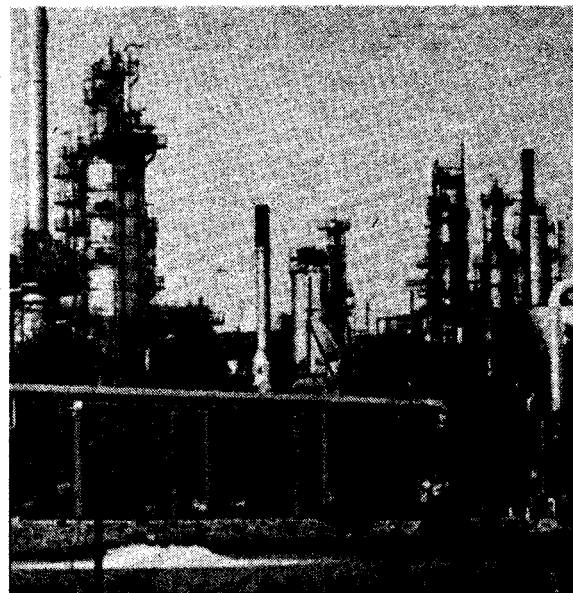
Moreover, Iran is supplying a substantial amount of crude to a number of East bloc countries. The broker in this deal to reroute more OPEC oil into Eastern Europe appears at least in part to be the Propaganda 2 Freemasonic Lodge, a creation of the British which has been outlawed in Italy. P-2 has highly secret ties with both East and West, which were recently exposed in Italy at the center of the international arms and illegal drug trade. Bulgaria, which figures prominently in the oil barter arrangements, serves as the hub of the illegal nexus, according to recent evidence uncovered by Italian authorities. The same network, implicated in the murder attempt on Pope John Paul II, was discovered smuggling arms to the Khomeini regime, and drugs from the Golden Crescent of Asia.

Both Hammer and Charter Oil's Mason are operatives of the P-2 mafia. Hammer, with his own historic connections to the Kremlin leaders, is thought to be just the right person to arrange the deal whereby more OPEC oil, particularly from Libya, would be sold to the East bloc, a deal facilitated by the U.S. 1981 embargo against Libya. At that time the State Department under Alexander Haig—who helped found the Italian P-2—issued a report advocating the embargo and predicting Libya would barter its oil with Eastern Europe for arms.

Andropov's deal with London on oil complements Moscow's bid to break Western Europe off from the United States through his latest Russian bid to center SALT talks on the European arena. It also conforms to the long-standing British design of ridding the Eastern Hemisphere of U.S. influence, and establishing eastern and western hemispheric energy blocs.

If the London design of manipulating the debt crisis to grab control of the world's raw materials succeeds, mafias like that of the P-2 will dominate the world economy.

Aside from Hammer's involvement in the P-2, Charter Oil has its own hands in this mafia, going back to the role it played in the Billygate scandal, in which President Carter's brother Billy attempted to use his influence to get Libyan oil for the Charter refinery in the Bahamas. It is this same Bahamas refinery which will receive Mexican oil if the Hammer/Mason bid to seize Mexico's oil succeeds.



The raw-materials grab and population wars

The Bank of England's Lord Bolton, the late author of the scheme to collateralize the third world's raw materials, sat until his death in 1982 on the board of the London Rhodesian Company (Lonrho). Also on the board of Lonrho is Duncan Sandys, the architect of the policies of conventional military buildup and NATO strike forces to police the developing sector and fight "population wars." As Defense Minister under Prime Minister Harold MacMillan in the late 1950s, Sandys argued that a mobil strike force doctrine should be the basis of British military presence in the Mideast and Far East. Sandys's doctrine later became the basis for the establishment of the Rapid Deployment Force. Those British agents in the U.S. who developed the RDF—Robert Komer, former Undersecretary of Defense in the Carter administration, and former World Bank chief Robert MacNamara—were the chief architects of the genocidal Vietnamese war, a model for the kind of bloody brushfire wars London envisions for the developing sector to reduce population and facilitate the seizure of raw materials.

Sandys has long been a confidant of former New York governor Averell Harriman, the leading exponent in the U.S. of mass population reduction of the dark-skinned peoples of the developing sector. Harriman has been exposed by *EIR* as one of the leading promoters of race science. Sandys was married into the Churchill family, as Harriman is today.

'I'd like to see a crash before I die'

Professor Friedrich von Hayek, guru and honorary world chairman of the Mont Pelerin Society, and a veteran member of the Fabian Society, was interviewed at his home in Freiburg am Breisgau, West Germany, by European economics editor Laurent Murawiec in December. Von Hayek sat in his study under a giant portrait of Sir Winston Churchill.

Von Hayek left his native Austria in the late 1920s for London, where he became a professor at the ultra-Fabian London School of Economics, where he remained until 1950. The former Austrian artillery officer then taught at the University of Chicago for more than a decade. In 1945, he had been one of the principal initiators of the Mont Pelerin Society, an organization which served as the "economic" think tank for Archduke Otto von Hapsburg's and Count Coudenhove-Kalergi's Pan-European Union, the central monarchist institution of the old continent.

Murawiec: Let us talk of your views of the international economic and financial situation. . . .

Von Hayek: Let me give a general warning. In my old age, I pay very little attention to current affairs. I am devoting my time to what is going to be a major book [*The Fatal Conceit*], which deals with what I regard as the task of economics: to demonstrate why socialism is wrong. My thesis is that socialism is not half right but totally wrong. And I believe that I can prove it. So I pay little attention to current events. The most I know is about England, which I consider as my home. [Professor von Hayek is a British subject.] I am still taking delight and interest in that country, but for the rest I know very little.

Murawiec: There is a danger of a global financial crash. Do you see dangers, or opportunities, in it?

Von Hayek: I must say that I rather expect that during my lifetime, a financial crash will be avoided by renewing inflation. I fear so. I would rather have, in the long run interests of the world, the financial crash now, and then a new beginning. But from the political angle, it is more likely that, at the last moment, governments will step in by providing a great deal more paper money until they postpone the crash,

perhaps for 10 or 20 years. So, shall I live through the crash? Not if it comes later. . . . I would rather have it come now, but of course. . . .

Murawiec: How should a crash be dealt with?

Von Hayek: You cannot avoid—you have to go through the crash, in order to stop inflation. Then you can hope, gradually, to approach a new equilibrium position, or rather, a growth that can be maintained without inflation. Any growth which cannot be maintained but by inflation is bound to lead to a crash sooner or later. We have now had 30 years of inflation and all this accumulated misdirection means that you cannot really stop inflation without causing a crash. It's going to be much worse than it need be because there is not only the effects of inflation in the advanced countries but also the incredible indebtedness of the countries at the margins of the world. Frankly, I don't want to look at it, it's so horrible!

Murawiec: There might well be an accident, and a chain-reaction. What ought to be done?

Von Hayek: I don't know to what extent the big banking institutions of the West can outlive a collapse of their debtors in the underdeveloped world, and the extent to which a great failure of—say Brazil, as an example, of half a dozen countries, Poland, half of Africa. . . . If they become clearly unable to pay, what will be the effect on the status of big Western banks, on countries like England, France, Germany. . . . I prefer not to look at it. We are faced with two closely interconnected phenomena. We've had 30 years of overinvestment in real terms—a kind of classical model of the business cycle. But we have in addition a financial overcommitment which exceeds anything ever seen in history. Everybody knows it and feels uncomfortable, but nobody wants to inquire into the details: they're afraid of what they will find.

Murawiec: You mean, a lot of capital ought to be destroyed?

Von Hayek: It has to be. But in fact it already no longer exists. It just pretends to exist.

Murawiec: With a collapse of that magnitude, certain currencies, certain institutions, certain countries, will have to bear the brunt of the crash you describe. . . .

Von Hayek: The important point is that Western institutions which would go bust will receive money from their central banks, very large amounts of money. So that the present financial crisis will be avoided by resuming inflation on a very large scale, simply by giving these bankrupt institutions the money they need to stay afloat.

Murawiec: If you had President Reagan and other heads of state in front of you in a room, what policy would you recommend to that captive audience?

Von Hayek: I would say: face the fact, get through it as soon as possible; the best you are going to achieve otherwise is a

10- or 20-year postponement of the crash and it will be worse then. In the interests of the world at large, *do it now*, go through it now.

Murawiec: What should we do with Third World nations?

Von Hayek: Nothing. Nothing. We should do nothing.

Murawiec: Brazil, for example. . . .

Von Hayek: Nothing. They will have to crash. They will have to crash. Nothing special about Brazil. All of them will have to crash. I don't want, once again in my life, to predict a 1929 crash—you know I predicted the 1929 crash. . . .

Murawiec: What should be done, then?

Von Hayek: We'll have to realize that at the best, we may save the West. I am not even sure that this is possible. But it may be possible. But if you try to prevent the collapse of all the overblown overseas institutions, you're certain to be driven deeper into the mess. We in the West should continue with a policy of reducing inflation. We've been much too slow. I'm not blaming Mrs. Thatcher or Ronald Reagan. I'm sure that they did what was politically possible. Mrs. Thatcher is aware that we ought to have done it more quickly. But as she herself answers: I'm not almighty politically. I can only do what is politically possible. I don't know Reagan. But from people in his environment, I know there is the same attitude there. We ought to have been much faster in reducing inflation. But as I often say, you can stand 20 percent unemployment for six months, you cannot stand 10 percent unemployment for three years, and what Reagan has chosen is 10 percent unemployment for three years. That will probably prove politically intolerable.

Murawiec: Capital must be destroyed?

Von Hayek: Not destroyed—we must just recognize the amount of capital that has been wasted. It's an illusion to believe that it exists, except on paper.

Murawiec: Can you describe the shock you are calling forth?

Von Hayek: It's what has been avoided until now: a drastic stop of inflation for six months: it achieves stability, it is the basis for a new beginning. . . . wages have become too rigid, It's politically impossible to reduce wages. But I am absolutely convinced that you must stop any further rise for the time being and break the rigidity of the wage structure. . . . any sign of revival of the three major Western countries, U.S.A., U.K. and Germany, might prevent a further decline of activity and employment, if you can combine this with avoiding any revival of inflation in order to keep Western banks alive in spite of the losses made in Brazil, etcetera.

Murawiec: In order to cut inflation, what ought to be done?

Von Hayek: I don't know so much about technical matters, but I would not be surprised if people told me that nothing short of the bankruptcy of the Social Security system would

do it. . . . but this is not my area. You know how much of my field is to discuss the harm done by Keynesian monetary policies. The pure monetary side has been my preoccupation for the last 30 years.—I can talk about it with some competence.

Murawiec: Dr. Schacht's monetary policy was Keynesian too. . . .

Von Hayek: I ought to say something on behalf of Keynes personally—it's not Keynes but the Keynesians. Keynes did see the dangers of the policies he'd been advocating. He was already fighting against inflation. . . .

Murawiec: What of Dr. Schacht's policies?

Von Hayek: Schacht? His policies were only compatible with a totalitarian regime.

Murawiec: In one of your recent texts, you approvingly quote an author according to whom "political anarchy was the precondition for the take-off of capitalism." What kind of anarchy do you want now?

Von Hayek: The anarchy that [former Chancellor] Ludwig Ehrhard established in Germany when he lifted price controls. Abolish price and quantity controls.

Murawiec: What should become of the state itself?

Von Hayek: In the very long run, we should achieve what was called "separation of powers" at the beginning of the last century. It failed; it failed to establish a restriction of government power. . . . take away from governments the monopoly of issuing money and let people be in competition concerning the issue of money. It's a long-range aim. In the short run, there must be some return to freedom. . . . in a way Chile very nearly did it. . . .

Murawiec: Very nearly?

Von Hayek: It's a curious thing. Given what the term "anarchy" strictly means—it is dictatorial countries that are prepared to withdraw from the control of the economy. Chile is one place. It has been dictatorial in order to avoid interfering with economic matters.

Murawiec: So in other words, anarchy is a function of dictatorship?

Von Hayek: Er. . . . Not a function of dictatorship—let us say that a dictatorship may be allowed to get away with it! Otherwise, economic life in Switzerland—that's the only country which is anywhere near what we would wish the world to look like.

Murawiec: So your historical paradigm would be the Holy Roman Empire, or the Austro-Hungarian Empire?

Von Hayek: Not the Austro-Hungarian Empire, which was too protectionist. The early Roman Empire perhaps, until the 2nd century A.D. On the purely monetary side I have never

doubted that my plan to abolish the monopoly of government issue of money was a matter for the future. But now I have come to the conclusion that it might not be necessary: it would be sufficient if banks opened accounts in terms of a "stable" unit undertaking to redeem them in whatever quantities of money are required to buy a certain list of raw materials. So what you stabilize is not the current amount of money, the institutions need not issue their own notes—they must have accounts in their own specific units which are defined as so much current money as is required to buy this list of raw materials. That way we will stop governments.

With money out of the control of governments, with a unit of account only in the form of deposit accounts, defined in a particular way, you will very soon find that under a different name some other institutions are doing the same, but with the same definition of the unit. All over the world you would get institutions all handling accounts in the same way, with simply the name differing, with the name of the particular bank.

Murawiec: So there would be a "Chase," a "Morgan," a "Lazard," a "Deutsche," a "Kreditanstalt," a "Danat," etc.? Now isn't that the financial structure fitting, as I mentioned, a federative political structure like the Holy Roman Empire or the Austro-Hungarian Empire?

Von Hayek: Yes. . . . in the case of Austria-Hungary, the central government had too much power. . . . In intent, the Holy Roman Empire was good, good.

Murawiec: Is the era of the nation-state at an end?

Von Hayek: It is already finished. We're in the era of the social state. Redistribution policies dominate everything, now that we've committed ourselves to what is called "social justice."

Murawiec: You mean inclusively, what Pope John Paul II wrote in his latest encyclical?

Von Hayek: Yes.

Murawiec: I guess you'd put that encyclical, *Laborem Exercens*, on the Index?

Von Hayek: On the Index, yes, on the Index. But curiously enough, there is a great understanding of my ideas in the Catholic Church: they realize how dangerous it is to follow the path pursued, for instance, by the South American bishops. I've become acquainted with Cardinal Koenig, an extremely intelligent man. Last May he organized a conference in Salzburg for the 100th anniversary of the death of Charles Darwin. A Cardinal of the Catholic Church! In the course of the discussion I spoke about cultural revolutions as distinct from biological revolutions. I argued that there has not been a national selection of religions. . . . religion is based on superstition. So our civilization is based on superstition. As a Catholic bishop he could not take that word so I spoke of the "symbolic truth." So he liked the word so much that he,

Cardinal Koenig, adopted it immediately! That's how I came to know Cardinal Koenig! His function is very interesting: relations with unbelievers. And he interprets his charge as including relations of the Church with science. . . . Koenig is a very distinguished man whom I respect greatly. I'm a complete unbeliever, a complete agnostic. I come from a Catholic family—I never formally left the Church, there was no use. But you know my father and my grandfather were Darwinian biologists—you can imagine!

Murawiec: Do you expect recession to go on for long?

Von Hayek: What we saw in the 1960s, an enormous, simultaneous growth of capital and income we will not see again in this century. . . . It will be much more modest. . . . there will be no return to full employment.

Murawiec: Should return to full employment be made through a post-industrial society?

Von Hayek: The shift to services is inevitable—how big will it be? It may be the case that a serious collapse of the Third World will slow down that shift. A collapse of the Third World will eliminate one of the competitive pressures which accelerated the shift from industry to services. If it turns out that they can not even maintain their present rates, it may slow down the change in the West.

Murawiec: What do you think of free-enterprise zones?

Von Hayek: They are one step in the right direction. But not a panacea. The financial and *sanierung* [cleansing] comes first.

Murawiec: Applying your methodology to the problem, "inefficient systems" based on the "money illusion" create a short-term ability to sustain artificial growth and therefore a multiplied population. A collapse of the money illusion would then affect three and a half billion people in the Third World.

Von Hayek: I don't have any comment to make on this. I have not thought it through, I have not thought through the implications for the actual population which already exists and has been called to life by offerings that will not continue. . . . There will be political and economic consequences; I just don't know how deep communist influence might go in the major countries like Mexico, Venezuela, Argentina—what form the reaction to a strong deterioration of the living standards will be.

Murawiec: Do you think that the population should be reduced?

Von Hayek: No, although for the moment it is a great dilemma. I do not believe that in the long run population growth creates impoverishment. . . . population increase does not lower living standards. What happens is that the poor increase their numbers faster than the rich. But it is not true that increases of population are really a danger from the standpoint of those already existing. On the contrary, in the long

run, increases of population, by increasing the opportunities of the division of labor, increase the world's capacity to maintain population.

The danger of population growth, I have shared myself, it was so dominant in the last 20 years. It took me some time to emancipate myself from it. I no longer believe that population growth as such is a danger, except where we finance it in places where the population will never be able to maintain itself, for instance, the Sahel. . . . We are subsidizing population growth that may cause local catastrophes. But where the population is growing as a result of productivity, that does not cause a danger.

Murawiec: The present youth movement—greens, peace movement, social movements of the last decade—share many ideas with you; they reject bigness, centralization, etc. They think of themselves as leftists. Do you think that with the proper steering, this movement can be usefully led?

Von Hayek: Yes, except that I do not know how long it will take. In the long run, yes. There is a much stronger support for libertarian ideas now than at any time that I could remember! Provided the politicians do not destroy the world in the next 15 years, with the next generation, there is hope in the U.S. and Western Europe.

Murawiec: What about Eastern Europe and Russia? Where do you find food for hope?

Von Hayek: In Hungary and in Poland I certainly find hope—if the Russians will allow it.

Murawiec: Once the movement sheds its left-wing colors, this libertarianism can then be used?

Von Hayek: Oh yes, certainly. The Mont Pelerin Society grew from 37 members, 37 years ago to 600 attendants at our world conference in Berlin recently. We make efforts to cut down the numbers. The Society has had off-spring. It has child-societies. It is becoming a movement.

Murawiec: Do you think that the present German government will listen to the Mont Pelerin Society?

Von Hayek: Certainly, not as much as if Franz-Josef Strauss were the chancellor. He is completely on our side. It's funny, the man who is regarded as a fascist is in fact a thorough liberal!

Murawiec: Then if Archduke Otto von Hapsburg became emperor of Europe, what could happen?

Von Hayek: He is a very remarkable man. He has extraordinary factual knowledge. He speaks 13 languages fluently. . . .

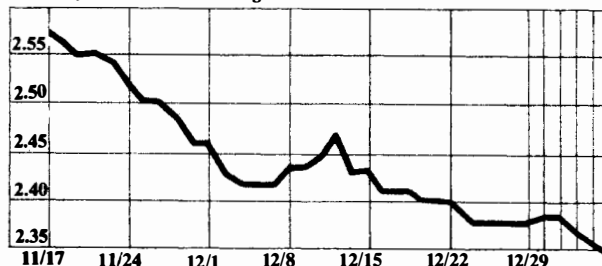
Murawiec: You speak often of the "tradition" with a big "T." Could you define it?

Von Hayek: Honesty, property, and family. Essentially Roman law and English common law.

Currency Rates

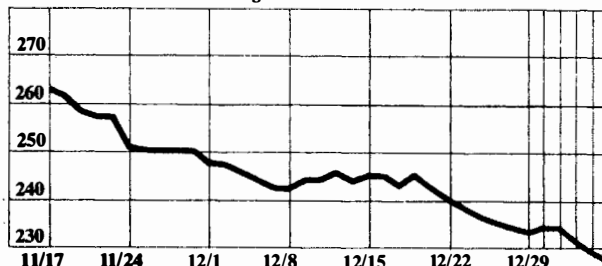
The dollar in deutschemarks

New York late afternoon fixing



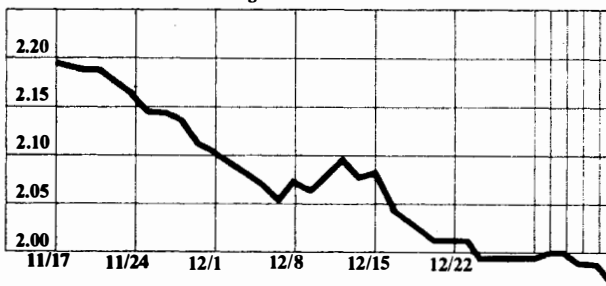
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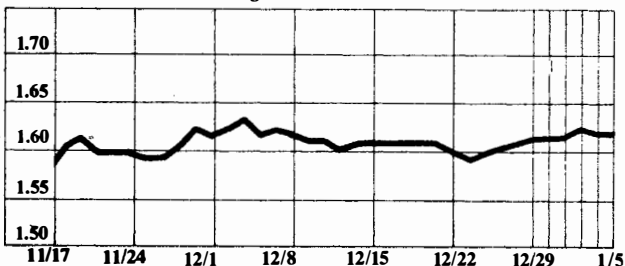
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The British pound in dollars

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Block's Pig in a Poke

The Agriculture Department's Payment in Kind scheme is another attack on the farm price-support program.

On orders from the Office of Management and Budget, to cut the cost of the farm program, the Department of Agriculture devised a scheme called Payment in Kind or PIK.

PIK is designed to cut government-incurred costs for buying up surplus grain and storing it. However, the scheme will operate at the expense of the farm-price support program.

Bowing out of all responsibilities for the agricultural sector, the administration is in effect telling farmers to take care of their own produce: "If you continue to grow food at the rate you are, then take the responsibility of storing it and disposing of it." Alabama Senator Howell Heflin has already given the PIK a new acronym—PIP, standing for Pig in a Poke.

PIK is one of those foot-in-the-door programs that is not so bad in itself, but for what it is leading to. In this case, the intent is to eliminate the government price-support programs altogether, using the now-tired "free-market" arguments as the ideological justification. If that should occur, in the midst of what is already the worst farm crisis since the last Great Depression, 1984 will make the worst years of the 1930s look like a Sunday picnic.

The budget cutters have motivated the PIK by pointing to the fact that unsold grain is said to be costing the government \$415 million in deficiency payments, and this figure is expected to jump to \$530 million this year. However, falling commodity prices and decreased purchasing abil-

ity, both here and abroad, have increased stock volumes to near-record levels.

The U.S. holds roughly 60 percent of the world's grain stocks. By law, those stocks, held in the farmer-held reserve and the Commodity Credit Corporation reserves, cannot be released until a target price—a price set by Congress every five years taking into account some considerations of production costs—is reached.

The budget office is pressuring the Agriculture Department to drop the target pricing system altogether. Block is expected to compromise by freezing the target price at 1983 levels and is asking Congress to give him the authority to determine the appropriate target levels beyond 1983. Such a step mirrors the dairy pricing issue, where the Agriculture Secretary pulled off the same "freeze" stunt on the milk prices for three years. Should the Secretary be granted powers to determine prices, the freemarketeer wreckers will have won their biggest victory in dismantling the federal farm program.

Since the lame-duck Congress failed to pass legislation continuing a PIK program, Block will now take matters into his own hands. He is expected to release details in the coming weeks of an administration version of a PIK program, even if it will stretch his existing authority. Unfortunately, this program is almost "the only game in town" as Senator Helms put it. Its cost-cutting features were praised by Assistant Agricultural Secretary Dr. William Leshner, who claimed that it

"would save \$3-5 billion over three years when storage, interest, and loss from deteriorating grain were added up." Even the London *Financial Times* lauded the program as an "ingenious and inexpensive scheme."

Under the proposal, farmers of wheat, feed-grains, rice, and cotton would receive compensation in the form of surplus crops in return for leaving up to 50 percent of their land idle. Since the farmers will not be receiving an equal-bushel trade, it is expected that there will be less grain on the market. This decreased supply is supposed to send signals to the market and thereby push the depressed prices up. This feature of the program, as Senator Melcher—the only Senator to oppose the program—has pointed out, would not help farmers' prices at all.

The Senate bill introduced by Senators Cochran and Huddleston, failed to address the issue of price supports, placing these Senators in the same camp as freemarketeer Dole who claims that the agricultural economic outlook was "bleak," but that "overproduction" was "draining the treasury."

Senator Melcher managed the defeat of the bill, but was unable to legislate an alternative proposal to increase government-paid price supports.

Since the 1960s, government support for the farmer-held reserve has been the target of budget cutters. Stocks held under the CCC program are those which cannot be sold unless prices reach a certain level fixed by the Farm Act. Farmers receive loans from the government for putting their grain in such reserves. Therefore, the grain is technically owned by the farmers. Since prices are well below the target prices now, the Agriculture Secretary cannot release that grain until prices rise.

Trade Review

by Mark Sonnenblick

Cost	Principals	Project/Nature of Deal	Comment
NEW DEALS			
\$600 mn.	Libya from U.S.A.	Boeing has asked Commerce Dept. for export licenses for 12 large passenger jets sought by Libyan Air. State Dept. blocked similar request in 1980, but this one is now under "inter-agency review."	Libya promises it won't use these planes for transporting its troops or international terrorists.
\$5 bn.	Libya from U.K./others	Libya has begun a project to integrate water sources along its coast. First phase includes 1,200-mile pipe connecting cases wells. Brown & Root (U.K.) is surveying and managing project.	Will be source of 40 to 50 big construction contracts during next two years.
	Iraq from West Germany	Dorsch Consult of Munich won contract for detailed design and construction management of first stage of Baghdad subway system. Dorsch and partners will design \$465 mn. 5.5 km. segment including main downtown station; construction begins Jan. 1984.	Basic 32 km. system of two intersecting lines will cost \$2.5 bn. by 1990 completion.
\$220 mn.	Iran from Italy	Gruppo Industrie Elettromeccaniche of Milan won contract for 320 MW electric plant fired by oil or gas.	First big new contract since Khomeini coup.
Approx. \$660 mn.	U.S.S.R. from France	Compagnie Française d'Etudes et de Construcion Technip signed contract to provide Soviet Gas Ministry with a plant to sweeten the 106 bn. cu. ft. per yr. of natural gas the Soviets will be pumping from new fields on the Caspian Sea. Technip says that 100% French technology developed by Elf-Aquitaine will be used and that much of the equipment will be made by Creusot-Loire. Technip will provide everything from detailed studies to start-up assistance with the exception of civil construction.	Gas in Astrakhan fields is very sour and requires complex treatment. Plant will extract up to 9,000 tons per day of sulfur when completed in 1986. France applied economic pressure to win project.
\$178 mn.	Thailand from U.S.A./Japan	Consortium of U.S. and Japanese companies signed contract for building a 350 mn. cu. ft./day natural gas separation plant at Mabtapud and storage depot and docks at Khao Bo Yang, 60 km. away.	
\$172 mn.	Algeria from Japan	Sonatrach awarded contract for building a 317 km. natural gas pipeline in central Algeria for JGC Corpation and C. Itoh. Completion expected in 1984.	Export-Import Bank of Japan providing buyers credit.
	South Korea/ U.S.A.	Baldwin pianos will be made in Korea by the Korean-American Musical Instruments Corp., a joint new 50-50 venture between Baldwin and Samick Musical Instruments Manufacturing Co.	Will make 5,000 Baldwin label pianos and organs/year for export to Europe, U.S.A., Australia.
\$640mn.	Brazil from West Germany	Brazil signed contracts with Siemens, Voith, and other German and Brazilian firms for equipment for the 3,200 MW Xingo Dam south of the Amazon's mouth. Contract includes 20 transformer stations.	

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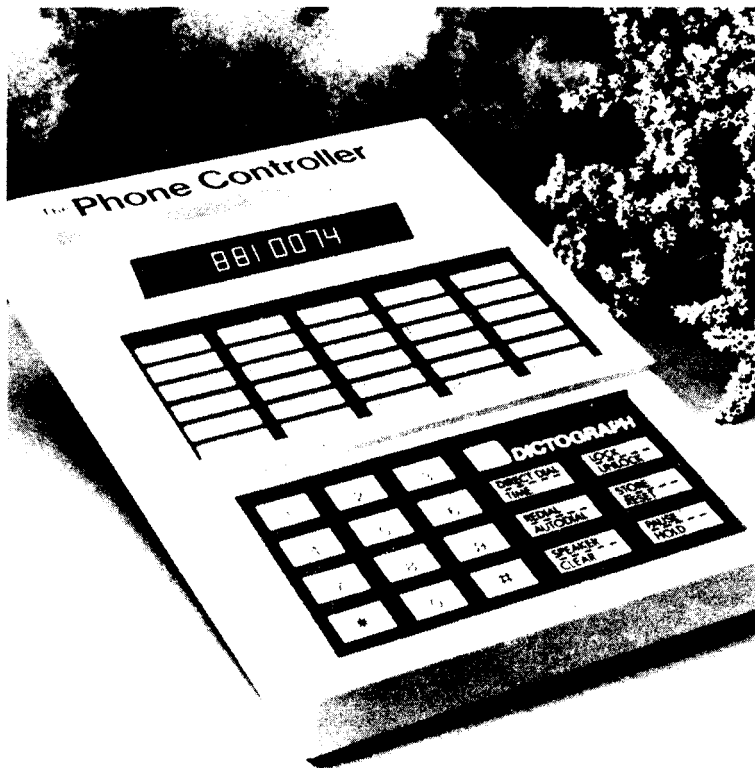
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Business Briefs

Econometrics

EIR Forecast: No 1983 recovery

Executive Intelligence Research's Quarterly Economic Report, sent to subscribers to the economic service Jan. 7, warns that even an attempt to reflate the American economy through conventional methods will not produce a recovery.

Since the beginning of the fourth quarter, the report notes, the Federal Reserve has abandoned its previous stance of monetary stringency, and has supplied the economy with all the liquidity it might absorb.

However, even if the immediate effect of tight money is eliminated, the downward path of the economy will continue, although this would at a slower pace than registered during 1982.

As of the beginning of the fourth quarter, the report notes, the deterioration of credit conditions had poised the economy for a 10 percent annual rate of contraction—a rate which was, in fact, registered during October.

The drop in interest rates brought about by Federal Reserve policy, however, simply lowered the rate of decline. The interest-rate drop did not bring about a recovery, as the administration and virtually all private forecasters had predicted.

Why no recovery may be brought about by conventional methods, the report says, is reflected indirectly in the problem of the Federal deficit borrowing requirement, which, inclusive of all off-budget and guaranteed loans, will exceed \$300 billion during calendar-year 1982. No long-term credit is available to industry under such circumstances, and industries will not increase their short-term credit exposure, even if short-term credit were to be widely available.

The deficit reflects a more fundamental problem at the base of the real economy, the study indicates: the 1979-1982 depression has shifted the employment patterns in the U.S. economy dramatically away from the productive workforce, and brought to a high plateau the overhead costs of the economy. At this point, according to the LaRouche-Riemann model's estimate, the overhead ratio of the U.S. economy (the amount of tangible wealth per unit of labor employed di-

verted away from the productive sector) is higher than the productivity ratio (the amount of tangible profit per unit of labor employed). That is to say that the overall economy is running in net deficit, and growth is impossible.

Even assuming the Federal Reserve were able to bring interest rates down substantially, the best that could be hoped for would be a 3 percent decline in tangible output over the course of the year; if the credit-stringency environment of the first three quarters of the year returns, the economy will be falling at a 10 percent annual rate by the end of 1983.

For more information about EIR's Quarterly Economic Service, call Mr. Peter Ennis, Director of Special Services, at (212) 247-8820.

Steel

U.S. steel output smallest since 1939

The American Iron and Steel Institute announced Jan. 3 that the United States produced 72.4 million tons of steel in 1982. This is the smallest steel output since 1939, the last year of the 1930's Great Depression before gearing up for World War II increased U.S. industrial production.

In per capita terms, the 1939 production of 66.9 million tons is just slightly more than a half a ton per person. 1982's disastrous production drop brought steel output down to only .31 tons per capita.

Steel industry employment is now at 220,000, a level below that of any year on record. Capacity utilization in the last week of 1982 stood at 30.8 percent and over 10 percent drop since mid-year.

Trade

Exports to U.S.S.R. increased under embargo

A critical report to the European Parliament's Budgetary Control Committee accuses former British Exchequer Chancellor

Roy Jenkins and the late Olav Gunderlach, when they were President of the EC Commission and agricultural commissioner, respectively, of misleading the European Parliament as to how the Commission was operating the West's economic embargo on the Soviet Union.

The report claims that there was a 342-fold increase in wheat exports to the U.S.S.R. at a time when the United States had banned such sales, which could explain President Reagan's lifting of the export ban. There was also a 40-fold increase in shipments of animal compound feed, a development which needed a "unprecedented logistic support effort," and exports of wine increased six-fold, sugar four-fold, and meat three-fold.

The report is the result of detailed investigations by the committee under Heinrich Argner, chairman of the West German Christian Democrats. It dwells heavily on the sheer size of the increase in exports to the Soviet Union in 1980 when the embargo was in force and decreased trade had been agreed to by the EC.

Consumption

Food consumption falls in the United States

USDA's latest food consumption statistics show that while U.S. domestic food prices in real terms dropped, per capita consumption also fell. It also reflects the decline in incomes over the past 3 to 4 years.

Retail food prices increased 4½ percent in 1982, the smallest annual gain since 1976, and well below the double-digit jumps of the late 1970s.

The USDA predicts that large crops this year, and expected increases in fruit and vegetable supplies next year, will offset a further drop in consumption of animal product foods.

After declining about 1 percent in 1982, consumption of animal product food will likely fall another 1 to 2 percent in 1983. This year's decrease was led by a 5 percent drop in red meat use. At 149 pounds per person, red meat consumption for 1982 was the lowest since 1965 and well below the record of 170 pounds in 1971.

In addition, there was a sharp decline in pork consumption. During the early 1980s, pork had taken the place of beef in diets. The low price of poultry meant that poultry consumption rose above pork for the first time ever. Consumption of other protein foods, eggs and milk, plummeted, and is expected to decline even further this year. But large increases are seen in the consumption of potatoes, corn sweeteners, wheat, and rice.

Energy

New nuclear embargo prepared

According to nuclear industry sources, the Reagan administration, through the State Department Office of Nuclear Nonproliferation, is preparing to announce a new "hit list" of nuclear technology items which will be forbidden for export. The talks, which have been carried out under a shroud of secrecy for some months, reportedly would initially involve agreement of the so-called London Nuclear Suppliers Club nations, referred to by many developing nations as the "nuclear haves," to embargo export of a number of critical technologies which could be used to build nuclear uranium centrifuge enrichment.

The embargoes reportedly involve ban on export of electrical inverters, scoops, and rotors. The U.S. State Department is also reported to be attempting to gain agreement from other suppliers to ban export of such materials as ultra-high-strength aluminum, and maraging steels, and nickel-iron alloys.

The U.S. position was presented at a secret meeting in Vienna in November to the Nuclear Non-Proliferation Treaty Exporters Committee, whose 21 members include Britain, West Germany, U.S.S.R., and other East bloc countries but neither France nor China. A follow-up meeting will be held later in January in Vienna to further discuss the initial "hit list".

According to one source, the State Department is trying to gain international uniformity by persuading other nuclear exporters to move in the direction of U.S. nuclear export guidelines, which have become among the world's strictest. The Carter

administration effectively killed U.S. nuclear exports in 1977-78 with a series of legislative and policy initiatives including the Berg-Glenn Nuclear Nonproliferation Act of 1978.

The anti-nuclear *Washington Post*, in a Jan. 3 front-page coverage of the talks characterized them as "in marked contrast to previous [Reagan] administration retreats from some of President Carter's tough policies against proliferation of nuclear technology."

Banking

Europe, United States split on Brazil debt

European bankers are grumbling that Citibank and Morgan, the lead managers of the consortium that gathered Dec. 23 to refinance Brazil's \$100 billion debt, rigged the conditions of participation to penalize them and benefit the Americans.

The issue involves the extent to which each participating bank will have to increase its net loans outstanding to Brazil, which nearly went bankrupt three times during the month of December. The Morgan-Citibank formula demands that banks participate in new loans according to their former participation in syndicated, medium-term lending, rather than according to their total outstanding loans, including short-term. Since the American banks have a high proportion of short-term loans in their portfolios, their new exposure—*measured only by the existing medium-term loans*—is relatively less than that of the Europeans.

According to one European central banker, the handling of the loan by Morgan bodes ill for any future operations to bail out Brazil or other large debtors. "If any bank tries to play games to benefit itself at the expense of other banks, this will backfire. The European central banks must look out for the interests of their own banks first," he added.

A Federal Reserve official scoffed at the European complaints, "Of course the Europeans have less short-term outstanding to Brazil. You know why? They pulled the plug on Brazil in the fourth quarter and got their short-term credit repaid! They've got no right to complain now."

Briefly

● **THE IMF**'s Interim Committee has still not decided whether to have a special early meeting Feb. 12, and no decision will be made until about Jan. 15, sources say. "No one wants to take responsibility for calling the meeting, in case it produces no results," complains one Executive Director.

● **THE BANK** for International Settlements is stalling on a loan to Yugoslavia, fearful that they may not be able to collect in the future. "They are in a real dilemma," said one banking source. "If they don't lend, Yugoslavia will go bankrupt; but if someone defaults against the BIS, that would be even worse."

● **"SUPPLY-SIDERS,"** anxious to convince the administration that the budget-cutters are wrong, have "predicted" a 6 percent real rate of growth for 1983, and correspondingly high tax revenues.

● **UNCTAD**, the United Nations Council on Trade and Development, is advising developing nations to sit tight until June, at which time it will use its major convention to announce a campaign for developing-country debt moratoria.

● **COMMERCE** Department economists describe November's small rise in factory orders—following October's 5 percent decline—as a "drop in the bucket."

● **FED CHAIRMAN VOLCKER** fears that public perception of monetary laxity will lead to a drop in the bond market and rises in interest rates, according to close colleagues.

● **OPEC** countries, and even some European nations, are expected to join developing nations in the queue for IMF funds within the next few months.

A reply to Soviet critics

Why a beam-weapons 'arms race' is necessary

by Lyndon H. LaRouche, Jr.

The following article was released on Dec. 22, 1982.

My Soviet critics warn me that the government of the Soviet Union is presently committed, unswervingly, to a doctrine of opposition to deployment of space-based anti-missile beam-weapons. I counter with the observation, that there are actually no permanently unswerving policies of this sort in world affairs among rational governments, but only the prerogative of rational governments to cling, even unswervingly, to present policies pending submission of conclusive proof that a better policy must replace those of the present.

As to the scientific-technical feasibility of anti-missile beam-weapons, I am certain that my Soviet critics entertain no general disagreement with my proposals on this point. It appears that the central Soviet objection to my proposal is their voiced argument, that development of space-based beam-weapons means the unleashing of a new technological arms-race, an argument used widely among supporters of the nuclear freeze and peace movements in the U.S.A. and Europe, as well as the Soviet Union.

I do not disagree with my critics' observation, that deployment of anti-missile beam weapons implies a technological arms-race. Nor am I insensible of strong Soviet objections to an implied increase in Soviet arms budgets in the order of magnitude such a new arms-race would imply. However, I would strongly recommend to my Soviet critics my opinion that their budgetary concerns, their frustration at the crippling effects of present Soviet arms-expenditures levels, may have excessively and wrongly influenced their views concerning advanced military technologies generally.

Nonetheless, while conceding to them the two cited points of argument, I insist that their objections to beams-weapons development depend upon dangerously wrong judgments of the present and near-term strategic situations. To be most specific, I insist that if the policies associated with the international nuclear freeze and peace movements are imposed upon nations and upon international agreements, thermonuclear war—thermonuclear holocaust—is virtually certain during the course of the years immediately ahead. I insist that our choice is between beam-

weapons development and early prospect of thermonuclear holocaust.

The core of my argument is that the cultural effects of a beam-weapons development will be to induce a renaissance of combined rationality and fear of war's consequences among the populations and leading institutions of nations. I insist that it is people, not weapons, which choose war, and that it is the effects of policy of nations, including military policy, upon the shaping of culture and cultural outlooks, which determine the political preconditions for warfare. I insist that the cultural impact of beam-weapons development is indispensable to developing the political preconditions for war-avoidance.

That latter point, the cultural-impact issue, is the kernel of my general counter-argument as a whole.

We must situate this central, cultural-impact argument within a summary analysis of the presently growing danger of thermonuclear holocaust. I stress to my Soviet critics, that the characteristic feature of developments since 1962-63 under the influence of Mutually Assured Destruction (MAD) dogma, has been to impel the world through an illusory phase of 'detente,' into the presently growing ripeness for unleashing of preconditions for thermonuclear holocaust. I insist that Soviet circles have been so attracted by the kind of detente-negotiations subsumed by the MAD doctrine, that they have overlooked the fact that the MAD doctrine virtually ensures ultimate thermonuclear warfare.

Probably, my Soviet critics will agree immediately with some of my leading observations on this matter, and may therefore be induced to recognize that they themselves have erred in failing so far to put all the pieces of this matter together in the necessary fashion. I am hopeful that, their viewing all of the leading implications of the MAD doctrine in a single setting, will persuade them of the correctness of my fears on this account.

As part of my technical argument itself, I indicate what has already been indicated in recently published locations: that a "NASA-like" crash-program for development and deployment of space-based and supplementary anti-missile beam-weapons systems will not cost the economy of the United States a single net penny. The technological spillover of advanced military technologies into the civilian sector will so much accelerate average per capita productivity that there will be a net gain in real income per capita to the economy as a whole. If the Soviet Union were to approach the matter in the same fashion, the same economic logic applies.

1. The contradictory logic of MAD

The political-cultural shocks of the October 1962 Missile Crisis and the 1963 assassination of President John F. Kennedy created political-psychological conditions, both in the U.S.A. and worldwide, in which frightened institutions were prone to tolerate the introduction of a strategic doctrine called Mutually Assured Destruction (MAD). Although Soviet stra-

tegic doctrine did not accept the U.S.A.-NATO versions of the MAD theory until perhaps 1977 or slightly later, Soviet thinking converged on the MAD doctrine's argument at least to the degree that nuclear warfare was viewed as "almost unthinkable" if not as entirely, or absolutely so.

It was attractive to believe, that the probable near or total obliteration of homelands of adversaries by thermonuclear bombardment, made general war so horrifying that such war had become more or less unthinkable. There developed, increasingly, the curious love-hate view of monstrous thermonuclear arsenals, in which the very fear of such weapons was interpreted as assurance that general war was no longer a possibility, that no situation could develop, in which "World War III" would actually erupt.

There developed the much-believed delusion, that the risk of World War III was reduced to the imperatives of "crisis management." It was increasingly accepted doctrine, that the remote possibility of "nuclear misunderstandings," between the two superpowers and their respective allies, required NATO and the Warsaw Pact to establish "crisis management" methods and institutions, by which accidents could be dealt with in such a way that thermonuclear bombardment never actually occurred, even in the case some mad commander of nuclear forces of one of the powers, or some third party, might actually unleash one or more nuclear weapons.

At the end of the 1960s and beginning of the 1970s, the notions of crisis management spun out of MAD became the featured element of an enterprise known as detente. Arms limitation agreements and associated agreements and institutions of strategic protocol became integral to the apparent geometry of strategic relations.

However, already by the beginning of 1973, when the signatures on arms-limitation and related detente-agreements had merely dried, detente began to unravel, with the ominous emergence of NATO doctrines of "forward-based nuclear defense," leading into the British-Kissinger 1979 effort for adoption of the so-called Euromissiles proposal. It is the grave, and apparently continuing error of Soviet and some Western influentials, not to recognize that nuclear forward-based defense is the consistent and necessary consequence of a MAD-linked form of detente.

The key to Soviet errors of assessment on this point is a manifest wishful element in the Soviet view of the connection between MAD and detente, notably the mistaken Soviet doctrines which ritually distinguish between so-called "realists" and the "military-industrial complex" in the U.S.A. itself. In fact, on this point of Soviet doctrine, such social-political categories of Soviet policy-assessment are non-existent elements within the Atlantic Alliance as a whole. Clearly, Soviet assessments do not understand the real motives and continuing purpose of the MAD doctrine.

Soviet officials can and do recognize:

If MAD doctrines of deterrence are efficient, then, the West can "contain" the Soviet strategic potential through a

mere "aura of power" attached to the reality of thermonuclear arsenals. In other words, the view develops that the U.S.A. no longer requires large reserves of trained citizen-soldiers, and no longer requires the economic agro-industrial logistical basis for in-depth war-fighting capabilities.

What Soviet statists have failed to comprehend, is the fact that the immediate purpose of the MAD doctrine was to permit the gradual take-down of precisely those features of the U.S. civilian economy which would have to be developed to a high level of war-fighting potential, if an adversary status existed between the powers under other than MAD conditions.

If the U.S.A. maintained a strategic-adversary relationship to the U.S.S.R. without a MAD deterrence posture, this adversary status would have required the U.S.A. to maintain virtually "dirigist" monetary and economic policies, to the purpose of promoting the highest potential rate of investment and employment of the labor-force in technologically advancing agriculture, industry and basic infrastructure, while fostering higher rates of technological and economic progress among both its military allies and those developing sector nations, such as Ibero-American states, integral to the total logistical potential of the U.S. economy.

This would have forced emphasis upon capital-goods-producing industries, upon classical and scientific education in public schools and universities, and heavy emphasis upon science and engineering both as professions and as the cultural influence affecting the world-outlook and skills of labor generally.

MAD permitted its backers to steer the U.S.A. and Western Europe in the direction of transformation into what is called a "post-industrial utopia." In the main, that change in the character of the civilian society of the Atlantic Alliance nations was the long-term purpose of MAD.

This change in character of the U.S.A. (in particular) began at a relatively slow pace, and accelerated over the course of the recent two decades. Since MAD represented a shift away from the traditional philosophical world-outlook of the U.S. population, as well as traditional military doctrine, the post-industrial society policy could not have been imposed unless its initial measures were cautiously gradual.

The first major development, after the inauguration of MAD as such, was the Johnson administration's adoption of a fraudulent policy called the "Great Society." The "Great Society" was modeled in principle on the "Triple Revolution" thesis earlier promulgated by the Ford Foundation and Robert M. Hutchins. This policy was adopted under direct pressure from British secret intelligence (the London Tavistock Institute) in the form of Tavistock's Rapaport Report. This Rapaport Report denounced the cultural impact of NASA, denounced the effect of NASA in promoting pro-science outlooks and increasing admiration for rationality within the U.S. population. It demanded, and Johnson accepted, an immediate phasing-down of advanced research and development. Johnson used the "Great Society" program's misleading rhetoric of increased funds for "social programs," as

the pretext for collapsing the structure of research-and-development.

Two other developments are crucial in tracing-out the preparations for the presently growing threat of thermonuclear war.

The first of these developments was Johnson's escalation of the Vietnam War. This escalation of a bloody, "no win" mode of colonialist warfare in Southeast Asia, had the principal political effect of disaffecting a majority of the population from traditionalist outlooks toward military policy in particular, and technological optimism more generally. It is most instructive, that the same Anglo-American faction which earlier launched the Vietnam War also organized the anti-Vietnam War movement!

The second development, overlapping the political by-products of the protracted Vietnam War, was the 1963 launching of the rock-drug-sex counterculture with the dispensing of tens of millions of doses of LSD-25 to the U.S. youth population. After the events of May-June 1968, much of the youth movement assembled around the issue of the Vietnam War was reprogrammed, to become the terrorist and environmentalist movements launched on both sides of the Atlantic during 1969-1970.

By 1972-1974, the youth of the U.S.A. and much of Western Europe had been significantly conditioned to support the irrationalist Malthusian ferment of the 1970s.

These convergent structural, social and political changes of the 1963-74 period intersected two major developments in the world economy. The first was the destruction of the Bretton Woods agreements with the August 1971 decoupling of the U.S. dollar from gold-reserve basis and the orchestration of the 1973-1974 petroleum-price crisis. Out of these developments of "floating-exchange rates" and "energy conservation," the worsened monetary conditions for long-term credit in world-trade and investment and energy-usage were employed to the effect of putting the OECD sector, plus the developing nations generally, into a spiral of economic devolution at accelerating rates.

The attempt to elaborate a military policy within these economic constraints took the form of tearing-down the relative classical strategic capabilities in-depth of the Atlantic Alliance, while attempting to compensate for in-depth weakness through more aggressive assault-postures near Soviet borders.

This curious shift in NATO and related policies intersected an additional, most-important feature of developments in prevailing military thinking.

If one believes in thermonuclear deterrence, as the MAD doctrine prescribes, then one believes that one can conduct policies of practice of a sort which would otherwise trigger general warfare, without actually risking general war. Since the other side, presumably, would not actually risk thermonuclear warfare, it must adapt itself to tolerating degrees of aggressive measures which would otherwise be *casus belli* for even World War III. Those policies which assume that

the Soviet leadership would “accept nuclear warfare in the European theater” without resorting to intercontinental warfare, is an expression of this dangerous tendency in belief.

I do not believe that “flexible response” deployments, such as the Euromissiles, would probably lead **directly** to thermonuclear holocaust. I argue that such deployments lead to a deterioration of the strategic situation, such that the likelihood of thermonuclear war triggered by other developments is increased—as I shall explain in due course here.

Normally, the danger of general war, and local warfare, is often perversely a contribution to maintenance of peace, to precisely the extent that nations are made aware thus of the danger of pressing too hard against the vital national interest of potential adversary-powers—up to a certain limit, of course. If that observation is conditionally true, the opposite is unconditionally true. If a power believes it can go almost to any lengths in provocations against a well-matched adversary nation, there is the fostering of a corresponding disposition for “brinkmanship,” for thermonuclear blackmail as a growing feature of policy.

So, the basis for past detente, MAD, tends to become a lever of thermonuclear blackmail, and a source of encouragement to lunatic degrees of irrationality in relations among states. Governments which are inclined to be irrational believe that they are freed from taking into account the practical consequences of their policies. It is the cultivation of that “freedom” from obligation to weigh policies against their consequences, which is key to the growing danger of thermonuclear holocaust under present circumstances.

2. The countdown to nuclear warfare

The blend of adversary-relationship, and fear of means of general warfare, impels each of the adversaries to contemplate and attempt the destruction of the other by non-military means. Out of this shift of strategy to the domain of psychological warfare, and in the setting of the presently worsening breakdown of the Bretton Woods monetary order, develops the most probable scenario for plunge of both powers into thermonuclear holocaust.

Those Anglo-American influentials who presently back the nuclear freeze and peace movements, such as the U.S.A.’s Harrimanites, choose “peace” only because they continue to be persuaded that the “Soviet Empire” is approaching the preconditions for its destruction from within. The working assumption among these purported London and Manhattan “realists,” is that the Soviet “Empire” is about to be destroyed by waves of insurrections sweeping out of Eastern Europe, through the Ukraine’s Uniate population, through the Caucasus states, and into Soviet Central Asia. Naturally, the possibility of such insurrections is being assisted by these circles, and supplementary measures of economic warfare, and possibly measures to reduce Soviet agricultural output, are being employed.

In the view from Moscow, the Atlantic Alliance’s nations exhibit notably potentialities for destruction from within. The

rock-drug-sex counterculture, the anti-science Malthusian movement generally, the growth of terrorist movements, potentialities for linking terrorist forces to desperation-riots of unemployed, and the peace movement itself, typify a process of “Western civilization’s” destruction of itself from within. It occurs to some in Moscow: If these nations wish to destroy themselves so, let us help them in their endeavor.

At the moment, the OECD and developing nations are already in a deep recession. Except for social-welfare measures institutionalized, in part, during and following the depression of the 1930s, the social impact of the present depression upon the U.S.A. would be already greater than during the worst of the 1930s. Parallel developments are accelerating in Europe. Unless there is a radical shift from recent trends in OECD nations’ monetary policies, during no later than mid-1983, there will be a multi-trillion-dollar monetary collapse, worse than anything known during Europe’s nineteenth and twentieth centuries to date.

Naturally, if the U.S.A. and other governments change their present policies appropriately, this present economic depression can be halted and reversed. We assume, for the moment, the case in which no such sane alteration in policies occurs.

If we can assume, during the next several years ahead, that the Soviet economy suffers nothing more painful than a severe, self-imposed austerity, then the material and political strategic resources of the Atlantic Alliance powers will collapse relative to Soviet strategic capabilities. Yet, despite that general collapse of capabilities, the thermonuclear arsenal will remain.

For this case, we might assume a significant reduction in thermonuclear arsenals. We cannot assume, however, that either strategic power would actually reduce its thermonuclear arsenal below the level it believes adequate to obliterate the other.

There would be an analogous, if reversed case were the OECD nations to stabilize their economies and the Soviet Union to suffer major internal weakening.

In this direction of developments, the qualitatively weakened power has the choice either to submit to the organic or arbitrary increase of world strategic hegemony of the other, or to remedy the relative weakness by resort to thermonuclear blackmail.

Let us consider for the moment, only the case in which the U.S.A. is the relatively weakened power. In that case, the government in Washington, D.C., will not be that of the personally genial President Ronald Reagan. The forces linked to Averell Harriman, the Morgans and Jay Lovestone will reach down into the scrap-heap for some approximation of a fascist government, a government born out of riots of unemployed and others in the streets. In such an unfolding of events, the same Harrimans and others now sponsoring the peace movement will remember that it was their families which supported the British and the BIS in imposing the Adolf Hitler dictatorship in Germany. Once their confidence

in an internal disintegration of the Soviet "Empire" is destroyed, all peacefulness will vanish from the faces of the Harrimans and their kind. Their view will be "Après nous, le déluge!"

3. The deeper roots of MAD

The key to understanding the the present strategic situation is to remember that the American Revolution was fought against Britain because the forces allied to Benjamin Franklin could not and would not tolerate the economic policies associated with the British East India Company's Adam Smith. Any contrary explanation of the American Revolution is sheer fraud. Moreover, despite President Wilson's, and ex-President Theodore Roosevelt's alliance with Britain in the First World War, from the period of the naval conference conflicts into approximately 1938, the United States developed and maintained a plan for war against Britain and Britain's Mitsui allies in Japan, called "War Plan Red." During the last World War, President Franklin Roosevelt projected and demanded an end to both British imperialism and the monetary policies of Adam Smith for the post-war world.

The death of President Roosevelt coincided with the abandonment of vital U.S. strategic interests, in favor of subordinating U.S. policy to the anti-Roosevelt post-war policies of Winston Churchill. This British subversion of U.S. policy took the included form of Bertrand Russell's relatively short-lived 1947 proposal for preventive nuclear war against the Soviet Union, and also took the form of W. Averell Harriman's, and Britain's successful isolation of the most dangerous surviving U.S. patriot of the period, Gen. Douglas MacArthur. With the passing of the Eisenhower administration, and with the added effect of the assassination of President Kennedy, the Anglo-American faction's grip on both U.S. foreign and domestic policies increased to the point of becoming virtually dictatorial.

The issues of this struggle within the United States are parallel to and connected to the great division which developed in mid-eighteenth century Russia.

The collaboration between Gottfried Leibniz and Peter I resulted in the magnificent Petrograd Academy and the remarkable industrial development, quantitatively surpassing Britain's, during the first half of the century. The Leibniz faction in Russia, associated with Leonhard Euler, Mikhail Lomonosov, Aepinus, et al., was directly allied with Benjamin Franklin, and was key to Russia's key leadership in sponsoring that League of Armed Neutrality which finally secured the young United States' decisive, humiliating victory over Britain.

During the middle of the same century, worsening monstrously under Catherine and her lovers, the social, economic and cultural reforms launched under Peter I were substantially repealed or neutralized, especially by the so-called French faction ("Voltaireans"), and by the Venetian and British networks. Russia was sent into social and economic retreat, from which it did not significantly recover until the renewed in-

dustrialization under Alexander II, Abraham Lincoln's wartime ally.

The same division between the followers of Leibniz and of Bentham and Rousseau, which characterized eighteenth and nineteenth century Russian history, has also characterized the internal conflicts within the U.S.A. from the period of the American Revolution onward. In the U.S.A., the division has been between the followers of the Leibniz-allied Franklin current and the British-influenced followers of Rousseau, Adam Smith, and Jeremy Bentham.

This division's significance was developed into its modern form by the nineteenth-century British policy-influencing circles associated with John Stuart Mill and John Ruskin, the policy current which has ruled Britain in such exemplary guises as the Fabian Society, the Round Table, the Royal Institute for International Affairs, the Tavistock Institute, and the Scottish Rite Freemasons presently under the direction of Michael Duke of Kent. Ruskin's master-perspective for returning Europe to a neo-feudalistic utopia is key to identifying the matrix of neo-feudalistic thinking behind Malthusianism generally and the motivation for the MAD doctrine in particular.

Essentially, as long as a society is dominated by a commitment to technological progress, and the development of the potentialities of the individual in a manner consistent with technological progress, the kind of cultural and moral outlook associated with the Golden Renaissance, with the American Revolution, or the Weimar Classic republican movement in Germany tends to be the predominant tendency in society. The anti-republican cultural and moral outlook, as typified by the feudalistic or rentier-financier outlooks, is associated with social practice adapted to technological pessimism.

Technological optimism, in turn, correlates with the scientific world-outlook, with the submission of the human will to discovery of the lawful connection between causes (e.g. policies) and effects in social practice. Technological pessimism is synonymous with irrationalist hedonism, or with the special forms of "spiritual" hedonism associated with hideous paganist cults.

The center of the strategic problem today is the fact that heirs of John Ruskin's neo-feudalist views, including Anglo-American rentier interests such as the Harrimans, or the *fondi* rentier interests behind the Basel Bank for International Settlements, have introduced to society generally and to their own social practice, a hideous form of rabid irrationalism. This irrationalism is typified by the proto-Nazi outlooks of Friedrich Nietzsche, Richard Wagner, Houston Stewart Chamberlain, and the inner core of the Nazis proper—the kind of irrationalism which seeks to impose its irrational will upon society even, like Hitler, at the risk of an existentialist's attempt to enact his own *Götterdämmerung*.

It is not nuclear weapons which constitute the source of risk of thermonuclear war, but rather the spread and deepening of the rabid irrationalism associated with such perpe-

trators of the MAD and post-industrial society doctrines as Robert S. McNamara himself.

This is not the same as to argue that rationality necessarily equals pacifism. There are justified wars in history. Were I President of the United States, I would be disposed to fight a necessary, justified war against any nation-state or combination of adversaries. The issue before us in this discussion is the danger of an unjustifiable thermonuclear war, the kind of war which rational forces governing, respectively, the U.S.A. and U.S.S.R. would never undertake.

It is in that concrete context, not the context of hypothetical wars under hypothetical circumstances, that the importance of rationality as key to peace is under discussion here.

If Malthusian cultural influences were to dominate the institutions of both the U.S.S.R. and the U.S.A., for example, or even one of those powers, thermonuclear war is probably inevitable under the specific conditions of crisis now unfolding. If the interdependency between MAD doctrine and Malthusianism persists in the "West" in particular, thermonuclear war is now virtually inevitable during the period immediately ahead. In other words, if the success of the combined nuclear freeze and peace movements brings to consolidated power the Malthusian irrationalist social forces of the Atlantic Alliance nations, that success of the "peace movement" ensures the circumstances and quality of government in which nuclear holocaust becomes almost inevitable.

If the United States and Soviet Union are in fact committed to avoiding thermonuclear holocaust, it is indispensable that their separate and coordinated policy-efforts combine to the effect of restoring the cultural supremacy of technological optimism, and thus catalyzing the supremacy of rationality among the majority of the population and governments of the leading nations.

If the Soviet Union is disposed to accept the kind of post-war world proposed by Franklin Roosevelt, and if rational forces lead both nations, war between the powers is virtually impossible. If unleashing the potential for a technological arms-race brings that rational state of affairs into being, there is nothing to fear from the potentiality of such an arms-race.

Otherwise, if that Anglo-American faction associated with the neo-feudalist heritage of John Ruskin prevails among the Atlantic Alliance powers of today, we probably avoid the possibility of a technological arms-race, but we ensure the virtual certainty of thermonuclear holocaust.

The objective of the Ruskinites has been to bring into being the kind of "science-fiction" utopia in which society is ruled by a small rentier-financier (feudalistic) elite of "families," an elite armed with a small reservoir of advanced military technology, within a society otherwise generally reduced to brutish superstitions and crude, labor-intensive toil. The H. G. Wells "model" to this effect is illustrative of the point.

The dominant feature of the MAD doctrine has been a large-scale and broadly successful "cultural engineering" endeavor centered not only in certain British institutions devoted

to such work, but in a broader spectrum of agencies such as those coordinated under the direction of the Venetian Cini Foundation. To implement the culture-destroying policies associated, exemplarily, with the Huxleys and Bertrand Russell's Unified Sciences Project, it was deemed indispensable to retain the cultural instrument of adversary-relations between Washington and Moscow, while at the same time destroying the hegemony of the technological imperative in maintenance of strategic capabilities. The MAD doctrine not only tended to make technological progress appear, increasingly, superfluous for military policy, but the terrifying irrationality associated with mutual deterrence aided in promoting the irrationalism of technological pessimism.

It is directly related to this that Arnold Toynbee ceased to publish annual reports of world history's progress during the early 1950s, and that the late Carroll Quigley defined 1963 as a breaking-point in the general direction and characteristics of world history. For the heirs of John Ruskin and Aleister Crowley, the "Age of Aquarius" was inaugurated with the MacNamara introduction of the MAD doctrine.

It happens that neither of us can dare to rid ourselves of thermonuclear arsenals by any means but development of weapons-systems which render missile-launches technologically obsolete. That step we must take, otherwise we can not rid ourselves of this thermonuclear terror.

However, the deeper, longer-term significance of launching a beam-weapons development program, is the revival of a vigorous technological optimism, and with that a restoration of the hegemony of rationalism among the peoples and governments of the nations. If we undertake these measures, we shall have visibly freed humanity from 1) thermonuclear nightmares, shall have 2) attacked the terrifying problem of economic depression effectively, and 3) shall have unleashed those circumstances of world trade in which the technological development of the developing nations is undertaken as the late President Franklin Roosevelt envisaged for the work of the post-war period. By deploying advanced technology to solve simultaneously several of the leading problems oppressing and terrifying mankind, we shall have acted most efficiently to promote rapid embrace of technological optimism and rationality among the populations and governments of the nations.

So, the clear technological solution to the problem of thermonuclear arsenals coincides with the indispensable measures of cultural engineering needed to attack and remove the causes of the growing war-danger.

4. Economic implications

In brief, as you may already know, the LaRouche-Riemann method of economic forecasting has proven itself to be the only method of economic analysis which competently forecasts the consequences of policy in the world today. Therefore, on the authority of the proven scientific authority of that method, I am permitted to insist on the reliable quality of certain forecasts my associates and I have made respecting

the economic effects of beam-weapon development.

The problems of space-deployment, detection, targeting, energizing and use of anti-missile beam-weapons require our massive development of scientific research and technological-industrial development on the frontier of capabilities existing today. The military aspect of this effort is relatively small relative to the non-military scientific and industrial base which must be developed to produce and maintain the kinds of offensive weapons-systems involved. The spill-over of NASA technology into the U.S. civilian economy is exemplary of the combined effects of the kind of program projected. Just as the U.S. economy gained an estimated ten dollars or more in increased wealth for every dollar invested in NASA, the impact of beam-weapons development will be significantly better.

In my method of economic analysis, we put in secondary rank monetary values and even counting of the relative numbers of useful objects produced. We take this data into account only as reflecting a mediation of something more fundamental. The heart of economic science is the maintenance and increase of mankind's power to sustain its own existence. This power is properly measured as increase of potential relative population-density, as I have elaborated this in other published locations. It is from this vantage-point of analysis that the economic feasibility and benefits of beam-weapons development becomes most readily clear.

The proper center of economic policy is an effort to focus as much as possible of the allotable surplus productive capacity of society in the development and proliferation of those technological innovations which most greatly increase the per-capita potential relative population-density expressed by employed productive labor engaged in use of those technologies. Rather than seeking a "fair distribution" of investment-funds to all sectors of production equally, we must give relative priority to the successful, forced development of the most revolutionary kinds of technology.

This was, incidentally, the gist of Leibniz's recommendations to Peter I. This policy was exemplified by the policies of the Ecole Polytechnique under Gaspard Monge and Lazare Carnot. This same kind of approach is exemplified in the cases of the Manhattan Project and NASA efforts.

What has often occurred since Leibniz's time, is that society has failed to follow a correct investment policy except through indirect effects of concerted development of improved weapons-systems. The Ecole Polytechnique's development of mobile field artillery, and the coordinate development of new, modern industries under immediate direction of Claude Chaptal, are illustrative of this. So is the Manhattan Project and the case of NASA. Unfortunately, generally speaking, we have not learned to apply the same methods to the work of peace. Except for cases of actual or feared war, we seem not to have learned the importance of creating a national economic consensus on behalf of effecting critical breakthroughs in technologies; so, modern breakthroughs in technology appear to have been the outgrowth of wars or

major mobilizations in anticipation of wars.

It is known to leading scientific and related circles in both our nations, that that outgrowth of Leonardo da Vinci's discovery of hydrodynamics we know today as relativistic physics, portends both immediate and near-term breakthroughs in productive technologies which aggregately exceed in potential the revolutionary effects of the industrial revolution based on the heat-powered machine and chemistry. The implications of development of lasers in the range of 50,000 to 100,000 kilowatts, for example, ought to be of the highest priority, considering the modest but significant revolution in productive technologies this alone would make possible. If we can couple development of controlled thermonuclear fusion as an energy-source to application of relativistic-beam technologies, we shall have entered a regime of productive technologies which will make all present, conventional production techniques seem relatively stone-age crudities.

In first approximation, the potential relative population-density of society correlates with the useful energy-throughput per-square-kilometer and per-capita. More exactly, we should measure not simply watts of throughput, but the relative negentropy associated with such throughputs. If we consider, even with rough, reasonable approximation, the per-capita energy/negentropy throughput implicit in nuclear-fusion-energized systems of the indicated variety, the by-product of a properly directed beam-weapons development begins to be defined.

With such technologies, the very meaning of the term "raw materials," as we presently use that term, vanishes from our technological/economic vocabulary. With sufficient energy-flux-density deployed in regimes designed in terms of relativistic physics, we create raw materials as we please where we require them.

Additionally, as I have stressed in published locations earlier, the moral maturity of mankind will truly begin as we lift up our eyes from hedonistic squabbling in the mud of our planet, and look to the stars to discover what useful work waits to be discovered as man moves into nearby space for exploration and later colonization.

Meanwhile, if we can resolve now to dedicate both our nations to fostering rapid economic development of developing nations, using the increase of technology and world trade, we have established among nations a moral commitment (in effect of practice) to the welfare of each and every person on our planet, a commitment to affording them the productive powers to meet their own requirements. By enriching ourselves through more advanced technologies, we increase our capacity to fulfill what Dr. Edward Teller has rightly identified as "the common aims of mankind."

If that which I have summarily outlined is the philosophical world-outlook of social practice we associate with the development of beam-weapons, and if that world-outlook predominates in the leading circles of nations, we have at last secured peace—at least, for most of mankind.

If we, as adversary powers, can agree to take this route

of developments, separately, independently, but also cooperating to ensure the maintenance of rough strategic parity in the process, we can escape the grave danger which surely confronts us without such a change in course.

5. The essence of rationality

I know, from the increasing assassination-threats against my wife and myself over recent years, the curious benefit available to an old man confronted with the possibility of his imminent death. In this special experience one may acquire an insight into the essence of rationality, apparently not possible for younger persons. This observation I summarize as my concluding, and eminently relevant observation here.

Younger, more foolish people race through life, seeking those varieties of personal gratifications which might be entirely enjoyed in the living flesh. The idea of death, the end of such enjoyments, is known to younger people, but the thought is not quite real to them. They brush aside the thought of death, and order their lives chiefly in pursuit of the experiences they hope to enjoy in the flesh.

With wiser old men, death is the imminent reality, the certain knowledge which principally governs all important aspects of current practice. Wise old men live for that which they leave behind them, for that which they themselves can never hope to enjoy in the flesh. The prospect of death does not make one's life less important, but rather makes of the utmost importance that which one's life contributes to generations yet to come.

What is the essence, the truth of this earthly humanity we call society? In the span of the thousands of years which rightly absorbs the attention of Plato's philosopher-king, what is the value of this ephemeral moment which is the mere decades of an individual life?

The individual, although an ephemeral existence, is not irrelevant, not unimportant. Yet, the wise individual exists truly for society, not society for the pleasures of the individual. What we as individuals can accomplish with our lives, what ought to be our principal joy, is that work which contributes something good and permanent to future society, something which will be superseded, and yet, being superseded, remains the necessary foundation for its successors.

This something to which the wise individual adds is usefully termed "culture." It is culture, as transmitted through language, in the broadest sense of language, and through social practice associated with the use of language, which defines the preconditions of thought and practice of future generations. It is the continuity and enrichment of that culture which determines the future condition of humanity.

In a proper ordering of society, the conception of education proposed by Wilhelm von Humboldt is exemplary of social policy generally. The function of society is to develop as fully as possible the potentialities of each new individual, to afford that individual the opportunity to contribute something good and useful through use of those potentialities, and

to cherish the good and nullify the evil that men and women each variously contribute to the development of culture generally.

This matter of culture is not arbitrary. It is not merely a matter of arbitrary personal taste, as the irrationalist John Ruskin and others have proposed. The goodness or badness of a culture is measurable. This measurement is approximated by increase of potential relative population-density. Does the alteration of culture yield an increase in mankind's power over existence? This power reflects man's advancement in comprehension of and obedience to the lawful ordering of the universe, an advancement accomplished through exercise of the creative potentialities of mind.

All that enters into culture is part of this process—science, art, language, historiography. All that is implicitly judged as it contributes to the common general result, the implicitly measurable result of increase in potential relative population-density, an increase which measures the degree of agreement between man's willful practice and the lawful composition of the universe.

It is old men sensible of these matters who must lead the young to acquire this wisdom of old men, while the young are still young. To old men, the tragedy of youth is that young people recklessly waste youth, that for youth hedonistic delights enjoyed immediately in the flesh are too important. It is a difficulty of youth in all periods of history; it has become a monstrous problem in these days when old men turn to seek the pleasures of adolescent sexuality, or adopt for themselves sexes previously unknown to our species.

Foolish young people, and childish old men and women, are so obsessed with pleasures to be enjoyed in the flesh, that the question of culture, as we have summarily identified it here, is alien to them as a conception. They do not suspect that the short-term practical policies, of person or nation, are of secondary importance and effect in themselves, that all that is done in the present moment is essentially ephemeral in existence. What is of lasting effect upon society is the effect of a present choice of short-term, "practical" policy upon the shaping of culture, that it is culture which will determine how future generations act, whether entire societies prosper or degenerate into death.

So, perhaps to numerous among my Soviet critics, and others as well, my proposal to view a beam-weapon military policy as a necessary route for securing a policy of war-avoidance may seem a tortured detour. Why not, they might argue, simply agree to disarm, to agree to a policy of peace? Out of that sort of ignorance of the significance of culture, my Soviet critics would support the rise of political power of a peace movement which is intrinsically fascistic in character, in culture. Such a success for peace thus ensures nuclear holocaust. It is the choice of policy which produces the desired shift in culture which is the only truly practical policy.

Yet, even having said as much, I fear that only a relatively few wise old men will agree with me on this point. The rest must be persuaded by the evidence of arguments that nuclear

freeze ensures thermonuclear holocaust, and that beam-weapons development is the only means for ridding ourselves of the unchallenged power of thermonuclear weapons. They will act properly for such practical reasons, but whether they believe in the efficiency of culture or not, they will contribute to changing culture in the way most favorable to securing war-avoidance. Later, having discovered my argument on culture to have been correct, they will come to recognize and to understand the deeper point, the point of view from which I have in fact elaborated my policy-proposal.

The world's press on beam-weapons

In his "Reply to Soviet Critics/Why A Beam Weapons 'Arms Race' Is Necessary" (see page 26), Lyndon LaRouche showed how those attacking him and Edward Teller for proposing development of beam weapons are blocking the only chance mankind has to live beyond the age of nuclear terror. The following is a partial compendium of the press coverage the LaRouche-Teller controversy has generated.

Soviet Union

Voprosy Ekonomiki (*Questions of Economy*), U.S.S.R., November 1982. Soviet investment specialist Viktor Krasovski:

[The broad introduction of appropriate new technologies] will raise the temperature of the economy. . . . The achievements of scientific and technological progress are realized in expanded socialist reproduction of the U.S.S.R. through capital investments. It is precisely in the course of carrying out these investments that we are creating interlinked complexes of high-energy physics, space research centers, progressive technological schemes of advanced nuclear energy and laser technology, that we build scientific-production centers at enterprises with pilot workshops and laboratories, and that we construct the most modern production equipment, including electronics, microprocessors, bioengineering equipment, automatic devices, modern robots, and latest-generation computers.

Izvestia, Dec. 19. Deputy Head of the General Staff, Army Gen. V. Varennikov:

. . . . The Pentagon is already building beam weapons, so we need them also. . . . It must be said that the danger of the military plans of the imperialist powers is growing in connection with the speedy development of military affairs, the possibility for the appearance on the basis of the latest scientific achievements of principally new types of weapons and military technology, including highly precise conventional weapons systems and weapons based on new physical principles.

Pravda, U.S.S.R. Yereimei Panov:

[Manhattan Project scientists like Teller] had not hearts beating in their chests, but machines. [The same heartless people are now influencing] pragmatic planners of the military leadership of the U.S. [to build] military space ships, laser weapons, military bases on the moon, etc. [which yesterday appeared to belong to the sphere of] pure fantasy.

Literaturnaya Gazeta, U.S.S.R.:

Edward Teller is a cannibal, . . . lover of the bomb . . . hater of mankind.

Western Europe

London Guardian, "Greening of a troubled Germany," Nov. 29, 1982.

. . . . An organization called the European Labor Party, run from the United States, has been running a smear campaign against both [Gen. Gert] Bastian [former head of the 12th Panzer Division in Wurzburg who has written and lectured against weapons modernization programs] and Petra Kelly [one of the three leaders of the German Greens]. "I have told the American Embassy that the ELP are run by the CIA and that they ruined my reputation and his life," says Kelly. "They have run a verbal campaign against us and also in their magazine. The military depends on them for information. The Ministry of Defense sent out warning notices about us to their commanders, but we have succeeded in getting these withdrawn from the Army files."

Allgemeine Jüdische Wochenzeitung, West Germany, "Mysterious War at the Shatt-Al-Arab." Dec. 3, 1982:

. . . the beginning of a totally new species of arms which will not kill people any more, but will destroy atomic missiles during their devastating flight, before reaching their aim and bring them down. Of course in Washington and Moscow these new defensive missiles are known and it is known that, within a few years, they can be produced relatively cheaply, with a highly developed preciseness and in great quantities. Therefore one has to ask the question as to what the Americans and Soviets want to negotiate in Geneva, as the agenda of their negotiations might be overridden in a short time by technical developments?

Corriere della Sera, Italy. "But which Leonardo? We

propose bombs, says the organizer of controversial conference," Dec. 5, 1982. *Reportage on the Humanist Academy conference on Leonardo da Vinci:*

We are creating a peace movement in opposition to the so-called peaceniks who support abolition of nuclear energy, said conference organizer Fiorella Operto. . . . The conference speakers were almost all spokesmen for the Humanist Academy which puts itself forward under other titles. The movement is led by Lyndon LaRouche in the United States, who has provoked polemics with this thesis.

Il Manifesto, Italy, "A conference on Leonardo? Let's leave it to the POE," Dec. 5, 1982:

The conference was sponsored by a bizarre institution, the Humanist Academy, which includes a number of personalities from the POE. It is said they are CIA . . . a sect. . . . And then with the blessing of the Milanese authorities, students went to the incredible conference where instead of learning anything new about Leonardo, they were met with enthusiastic speakers on beam-weapons and praise for the Reagan advisor Teller—the father of the H-bomb.

La Repubblica, Italy, "Leonardo conference an 'atomic' bomb," Dec. 5:

European Labor Party member Fiorella Operto ignored Leonardo and instead propagandized in favor of relativistic beam weapons as a means of dealing with nuclear terror. . . . They defined ecologists and peace supporters as "terrorists." Amidst general shock, they compared the Manhattan Project with Brunelleschi's dome, a delirious theory which was rapidly ended by a teacher present.

This led to chaos in the hall and general confusion.

In the meantime, a telegram was sent to the superintendent of schools denouncing "the involvement of the schools in a conference propagandizing its own theories in favor of rearmament and the atomic bomb."

Unita, Italy, Dec. 5:

Fiorella Operto at a conference on Leonardo found it opportune to bring up the work of Leonardo to support rearmament and the proliferation of beam weapons. Picking up on the re-armament content made by the Reaganite Teller, she tied it to the project that led to Brunelleschi's dome. Responding to disagreements, she said, "The parallel is useful for the following thesis: Beam weapons are the only possibility for neutralizing atomic weapons. This is the only way for ensuring peace just as we have to insist at the same time on the development of peaceful nuclear programs. In fact, those who oppose this program are really against peace."

It is difficult to conclude that in the science work of Operto there is an intelligent use of the work of Leonardo. The thesis itself seems to be: "If you want peace, prepare for war."

Il Sole 24 Ore, Italy, citing Georgii Arbatov, head of the

Soviets' U.S.A.-Canada Institute:

I am convinced that especially today, Western Europe has overtaken the United States in political prestige. [Europe's greater importance will be based on Western Europe] and not the United States [being] the major assault force of NATO. . . . The United States has an enormous number of nuclear weapons, but nobody till now has succeeded in using them without committing suicide. . . . I think it is foolishness to believe that in conditions of an unlimited arms race it is possible to live with impunity, just because we succeeded in living all these 37 years. . . . This is confirmed by the antinuclear movement developing in 1981 and 1982 in Europe and the United States. . . . We are witnessing the beginning of a rethinking of the reality of the nuclear age from the side of a powerful movement of the people. . . . But, in reality, the progress of science and technology, and, in this case, the growth of weapons of mass annihilation, especially nuclear weapons, has overturned the world of traditional conceptions. What for millennia has been developed as the recourse to the strength of weapons as an instrument to ensure security and survival, has become pure delusion. . . . A world without war and weapons has become the only means to save civilization and the human race.

Eastern Establishment U.S. press

New York Times, "New Generation of Nuclear Arms With Controlled Effects Foreseen," Oct. 29, 1982:

Nuclear weapons planners foresee a new generation of arms in which the heat, radiation, or blast effects of a nuclear explosion can be used far more selectively than those of existing weapons, according to scientists and Administration officials.

Other private and Government experts, however, doubt that the concepts will result in new weapons that could protect American strategic arsenals or population centers. They oppose these vaguely described advances as "Buck Rogers schemes" that are intended to increase the weapons research and development budgets of military and atomic energy laboratories and to blunt public pressure for a freeze on nuclear arsenals, development and testing. . . .

"There are potentially broad new capabilities emerging," agreed George A. Keyworth 2d, President Reagan's science adviser. "There are no clearcut systems applications yet, but we should have a better idea of what we can do in less than 10 years." . . .

Administration officials cite the following as examples of weapons being contemplated: bombs that would be designed to create a large electronic magnetic pulse to knock out an enemy's communications systems; lasers by which atomic explosions would generate X-rays, which, in turn, would power a laser beam for destroying enemy missiles, and other "directed energy" weapons that would be tailored to destroy a particular target with few side effects. . . .

The most vocal proponent of the third-generation concept is Dr. Edward Teller, known as the "father of the hydrogen

bomb." Dr. Teller recently met with President Reagan to urge him to increase financing for the new concepts. In a speech at the National Press Club on Tuesday, Dr. Teller criticized the proposed nuclear freeze, arguing that it would prevent the development and testing of new defensive weapons, which, he asserted, could vastly increase the nation's security.

"These concepts could result in weapons, which can only be used to destroy the offensive systems of a potential adversary, and may well render offensive nuclear systems ineffective, thus removing the threat of nuclear war," concludes a recently released report by the Senate Armed Services Committee.

Administration support for greater emphasis on third-generation weapons is meeting strong opposition from proponents of a nuclear freeze and from some scientists. Richard L. Garwin, a physicist at the I.B.M. Thomas J. Watson Research Center, argued that negotiating a comprehensive test ban with the Soviet Union would be far more in the nation's best interest.

Christopher Paine, of the Federation of American Scientists, called the third-generation weapons "a perilous ruse perpetrated by the weapons builders to keep them in business."

"These so-called defensive concepts are only likely to continue the arms race," asserted Mr. Paine. "The Soviets will develop countermeasures, the arms race will continue unabated, and stability will be threatened. There is no technical fix for mutually vulnerable nuclear forces."

New York Times, "Teller Faulted on Bomb Calculations," Nov. 13:

Hans Bethe, a Nobel prize-winning physicist, has charged that faulty calculations by Edward Teller, known as the father of the hydrogen bomb, and other technical problems hindered the bomb's development rather than political opposition by the late J. Robert Oppenheimer. . . .

"Everybody recognizes that Teller more than anyone else contributed ideas at every stage of the H-bomb program, and this fact should never be obscured," [Bethe] wrote. . . .

But Dr. Bethe also cautioned, as he said others had, that "nine out of 10 of Teller's ideas are useless" and that Dr. Teller "needs men with more judgment, even if they are less gifted, to select the 10th idea, which is often the stroke of genius." . . .

Boston Globe, editorial, "Pentagon Atari," Nov. 14:

On the fantasy screens of video-game arcades, space commanders zap invaders into space junk. Other than the diversion of teenage lunch money, and perhaps a subversion of studies, not too much harm is done.

The costs of such fantasies are higher in real life. An emerging Reagan Administration public relations blitz, featuring catchy concepts like Space Command, killer satellites, particle beams, "force multipliers," and "High Frontiers," shows where the arms race is going.

The arms control movement threatens to hold the Pentagon team to short yardage, so they've shifted to a passing game. Their strategy: Sell Americans on an arms race they'll think is fun. . . .

The gaudiest Pentagon fantasy to date is the ring of space-based laser stations which would destroy hostile missiles as they are launched from earth. The space-laser notion is derided by most experts as hopelessly expensive, impractical and easy to disable or foil. At immense cost it might work well enough to kill a few orbiting satellites, but that can be done just as well with a well-placed hand grenade. Lasers would be useless against a swarm of ballistic missile warheads. Still . . . if space lasers could be sold to a sci-fimesmerized public, they'd be a procurement officer's dream. . . .

The Pentagon must do more than dream up ways of using elegant hardware. It must explain how wars will be less likely, and more "manageable," when each superpower has acquired the ability to strike the other blind at a moment of international tension. The test for space war enthusiasts is not to run up high scores in Atari-like war games, but to show some common sense.

U.S. campus press

The California Tech, "Who can seriously believe this stuff?" Dec. 10, 1982:

. . . [Paul Gallagher, Executive Director of the Fusion Energy Foundation proposed] an all-out effort to develop high-power energy anti-ballistic beam weapons, on a scale similar to that of the Manhattan Project. He claimed that, were this to take place, the U.S. would be invulnerable to attack by nuclear missiles by the 1990s. He also maintained that the know-how derived from the beam technology would cause an industrial revolution and pull the economy out of its current crisis.

The title of Mr. Gallagher's organization . . . is misleading. The Fusion Energy Foundation and the newspaper *New Solidarity* are merely extensions of an obscure, distorted political organization titled the National Democratic Policy Committee (NDPC).

Notre Dame campus newspaper, "Beam weapons group—a dud," Dec. 6, 1982. Guest Columnist Dan May:

Amid the flurry of lectures and writings concerning the nuclear freeze, a strong anti-nuclear freeze group voiced its opinion last Wednesday on this campus. The slogan, "The Nuclear Freeze will cause Nuclear War!" headlined on their literature, caught many peoples' eyes, not to mention enraging a few tempers. The group is the National Democratic Policy Committee. . . .

They believe that the freeze on nuclear weapons and particularly nuclear energy is a substantial part of a plot to reverse the gears of technology to reduce the world to a "pre-industrial feudal Malthusian nation-state." . . .

[The NDPC's] talk about beam weapons does raise a valid

point: Is nuclear disarmament enough? Nuclear disarmament would alleviate much of the threat nuclear weapons pose, but for all the limitations on nuclear weapons we can impose, the nuclear technology remains.

But are beam weapons the answer? . . . I am not going to pretend that there are easy solutions to our world problems, but I think that the extreme danger nuclear weapons pose demand immediate action. [The NDPC] fail to act on this danger. In fact, they add to it by prolonging the advancement in the technology that is able to destroy the life on this earth and that nature which is so bountiful and beautiful.

Other U.S. press

The (Calif.) Valley Times, "Freeze would halt laser research," Oct. 20, 1982:

A freeze on all U.S. nuclear weapons work would cancel research on a secret X-ray laser defense satellite designed to bring down Soviet ballistic missiles without exploding their warheads, a physicist opposed to the bilateral freeze initiative said Tuesday.

Dr. Steven Bardwell, editor of the New York-based Fusion magazine, said the controversial X-ray laser and other beam weapons on the drawing boards at Lawrence Livermore Laboratory could throw the doctrine of mutually assured destruction "totally out the window. . . ."

Tri-Valley (Calif.) Herald, "Physicist cool toward N-Freeze," Oct. 20, 1982:

The X-ray laser weapon may be too secret for nuclear weapons scientists to talk about, but one independent physicist combined rumor, leaks, physics and imagination to describe that weapon at a press conference here Tuesday.

The laser, said Steven Bardwell, would provide a secure nuclear defense against intercontinental ballistic missiles.

Air Force Times, "Beam Effort: End to Nuclear Threat?" Washington, D.C., Dec. 6, 1982:

WASHINGTON—The U.S. has the capability of deploying, within five years, a hybrid defensive antiballistic missile (ABM) weapon based on beam technology, a member of the Fusion Energy Foundation has said.

Dr. Steven Bardwell, FEF's director of Plasma Physics Research, described at a Capitol Hill briefing the technology now available that would make "nuclear war obsolete. . . ."

The FEF proposal calls for \$300 million dedicated to beam weapon development in FY 1984, then growing to \$1 billion for each of 10 years thereafter.

The (Manchester, N.H.) Union Leader, "Laser Beams Offered as Nuclear Alternatives," Dec. 16, 1982.

Lyndon LaRouche, an unsuccessful Democratic candidate in the 1980 Presidential Primary, has mounted a campaign promoting development of laser beams as a defense weapon against guided nuclear missiles.

He'll probably be raising the beam weapon idea as an

issue in the 1984 Democratic Presidential Primary. Charles Park, a representative of the National Democratic Policy Committee—which LaRouche formed and now chairs—told The Union Leader last night that although the Rochester Democrat hasn't formally announced his candidacy, he is "unofficially" planning to seek the presidency again in 1984. . . .

Steve Komm of Boston, the New England coordinator for the beam weapon proposal, claims the Soviets are already developing similar technology that could make the "Dense Pack" basing plan for the MX Missile "shortsighted."

Komm, an associate of Dr. Steven Bardwell, a science adviser to LaRouche and editor of "Fusion" magazine, said that Dr. Bardwell "did an assessment of Soviet" research in laser beams and determined that Russia is committed to developing beam weapons, and that the U.S. "should embark" on such a plan. . . .

Komm said the laser beam proposal has been "initiated as a major political thrust" by LaRouche and the National Democratic Policy Committee. He charged the liberal media has been suppressing information on beam weapons that the committee has attempted to disseminate.

Fort Worth Star-Telegram, "Physicist hails weapon as economic answer," Nov. 10, 1982:

Foes of new technology are opposed to laser beam technology because "they are absolutely terrified by its uncontrollable aspect," Bardwell told about 30 people in a meeting at Green Oaks Inn that was sponsored by the Democratic National Policy Committee. The committee is led by extremist politician Lyndon LaRouche and is not connected with the Democratic Party.

Aerospace Daily, "Teller Said to Urge Development of X-ray Laser," Washington, D.C., Dec. 1, 1982:

Dr. Edward Teller and Dr. Lowell Wood of the Lawrence Livermore Laboratories are urging the Reagan administration to begin development of a space-based laser, operating in the X-ray wave-length, that would be capable of shooting down Soviet ICBMs during their first few minutes of flight, according to Dr. Steven Bardwell, director of plasma physics for the Fusion Energy Foundation and military editor of the Executive Intelligence Review.

In a press conference held recently in Washington, Bardwell said that successful tests demonstrating the laser had been held in 1980 at underground nuclear test sites in Nevada.

A congressional staffer told The DAILY that Teller, father of the H-bomb, had met with President Reagan about the X-ray laser program.

A scientific advisor to the Reagan Administration said the meeting had taken place late last summer and that the Reagan Administration "regards the X-ray as a serious concept."

White House officials said they had no record of the meeting. . . .

Now or never, says Harriman, on arms deal with Andropov

by Rachel Douglas

A Soviet arms cut proposal, presented by party chief Yuri Andropov in a Dec. 21 speech, occasioned an outburst of cries to "give Yuri a chance," from NATO headquarters and Western governments as well as from Andropov's natural sounding board, the so-called peace movement. It was enthusiasm tinged with anxiety, which showed in such responses as the *New York Times* commentary penned Jan. 2 by the aged anglophile W. Averell Harriman. Harriman, a chief promoter of the so-called 'freeze' movement, wrote that it is "now or never" for a new strategic arms control agreement with the U.S.S.R., to be achieved by positive response to Andropov's speech.

Averell Harriman and his family are among the biggest funders of racist eugenics in this century, responsible for the globally destructive economic policies that will have caused the next world war, if it breaks out. Not only that—for over four decades, "Old Ave" has been the certified "Russian handler" of the American anglophiles, the East Coast patriots. His job has been to cultivate those in the Soviet leadership most amenable to arms control deals that curb the technological progress he and his fellow oligarchs abhor. For this, Harriman and his co-thinkers in London are counting on Andropov, but they say "now or never" because they suspect Andropov's allegiance to technology-limitation, or his staying power if he were to stick with it, may not be so great. One British expert on the Soviet military has said that Andropov is working on a margin of tolerance from the military that could vanish in six months.

Andropov's proposals merely elaborate what Moscow

has been putting on the table at Geneva talks with the United States, first on limiting medium-range rockets (the "Theater Nuclear Force" talks) and then on restarting strategic arms negotiations. He offered to reduce Soviet SS-20s stationed West of the Ural Mountains to 162, equivalent to the forces of Britain and France, if the United States refrained from installing new Pershing-2 missiles in Western Europe, and he talked about a 25 percent reduction in strategic arsenals. Both facets of the plan are within the geometry of deterrence and overkill, the Mutual Assured Destruction insanity which such arms talks have helped perpetuate for decades (see Special Report, page 26). The purpose of the proposal, and its delivery by Andropov at the prestigious occasion of the 60th Anniversary of the founding of the U.S.S.R., lies elsewhere than in its own terms.

France's Defense Minister, Charles Hernu, told Paris' *Le Monde* that Andropov's initiative was intended to split the West European countries from the United States and to build up the "peace movement." What Hernu criticized, Bulgarian Communist Party head Todor Zhivkov, in Moscow for the celebration, plainly confirmed to *Izvestia* in a Dec. 28 interview: "They provide the anti-war movement in the West," he said of the arms talks proposals, "with powerful arguments, which will undoubtedly give it a new, mighty impulse."

Anglo-Soviet movement

Moscow also has people on the ground to boost the "peace" mob. Its Anglo-Soviet coordination was featured on the front page of *Pravda* Dec. 27, in an article about consultations in

Britain of Soviet and British "social scientists" under the auspices of "Quakers for Peace and Social Justice." The session proclaimed support for "anti-war, peace demonstrations in all countries."

The leader of the Campaign for Nuclear Disarmament (CND) in Britain, Msgr. Bruce Kent, has endorsed Andropov's arms limitation proposals, as against the position of President Reagan. Kent conferred during the last week of 1982 with Sir Francis Pym, Foreign Secretary in the British Conservative government, who was due to arrive in Moscow Jan. 7 for talks with Andropov and Foreign Minister Andrei Gromyko. CND sources say that the peace movement in Europe is set for much "hotter" efforts to "stop the mad arms race" and that the proposals of Dr. Edward Teller for strategic defensive weapons will be special targets.

Following Pym's visit, Gromyko will be in West Germany for three days of talks with the government and with the Social Democratic Party opposition, in whose circles there are dreams of an SPD government—backed by the Green Party and taking an absolute stand against nuclear weapons—in the near future.

This Soviet diplomacy is designed according to the thesis, energetically promoted by Andropov's long-time associate and advisor Georgii Arbatov of Moscow's USA-Canada Institute since October 1982, that the time is ripe for Western Europe to step forward as a third great power, separate from the United States. "Europe has a new role in the world," Arbatov told the Italian daily *Il Sole 24 Ore* on Dec. 20, "One cannot use the expression 'two superpowers' any more." In that interview, Arbatov linked this shift to "a radical rethinking of the nuclear age from the side of a powerful movement of people"—the peace movement—and singled out technological advance as the key problem in weaponry: "The progress of science and technology, and in this case the growth of weapons of mass annihilation, especially nuclear weapons, has overturned the world of traditional conceptions."

France objects

The government of France is greeting such claims with appropriate skepticism. The French have made clear that they consider the nuclear freeze, advocated by proponents of a conventional arms build-up like Robert Strange McNamara and McGeorge Bundy, a threat to peace. At a Western European Union conference Dec. 1, Hernu denounced the McNamara-Bundy grouping which, he noted, "are the very same ones who presided over the impressive rearmament effort of the United States in the 1960s, the very same ones who dumped on Vietnam an amount of explosives greater than that which was used during the last world conflict," and yet now they "explain to us that the European countries will have to do without the American security guarantee."

Paris was equally cool to the Andropov offers, especially insofar as they implicated France. In a nationally televised statement on Jan. 2, President François Mitterrand declared,

"To Mr. Andropov, all I can say is: talk all you want with the United States; make your arrangements; but as for thinking that France could in the slightest reduce its present level of weapons, it's not worth dreaming about." Mitterrand's statement shows to what extent the socialist President has been politically captured by traditional military and other groups still committed to the basic tenets of Charles de Gaulle's policies, such as maintenance by France of an independent nuclear strike force.

Soviet beams not frozen

The spectacle of Soviet foreign policy spokesmen lining up shoulder to shoulder with British ones to stop the United States from embarking on the path of directed energy beam weapons development, a defensive strategic capability and a catalyst for economic recovery, is unmatched for cynicism as 1983 begins. Even though Georgii Arbatov's insinuations about the need to overthrow "traditional" thinking might not sit well with Soviet officers, there is every indication that Soviet military and scientific leaders are demanding and getting what they want for intensive beam technology R&D. A program for laser and other directed beam technologies, run by Academician E. P. Velikhov using the resources of Moscow's largest auto plant and a dozen other factories, was publicized in the national daily *Izvestia* Dec. 27, as it had been in specialized economics journals some months ago.

Army General V. Varennikov, writing in *Izvestia* Dec. 19, flatly asserted the decisiveness of these technologies for strategic power, giving the approximate argument: the United States is already looking at these technologies, so we had better get them. Varennikov wrote, "It must be said that the danger of the military plans of the imperialist powers is growing in connection with the speedy development of military affairs, the possibility of the appearance, on the basis of the latest scientific achievements, of fundamentally new types of weapons and military technology, including highly precise conventional weapons systems and weapons based on new physical principles."

In the leadership transition period, the lobby of Soviet economists advocating revolutionary technological advances as the solution to Soviet economic stagnation has also become more vocal, so that the military's push for beam weapons is effectively seconded by some economists' argument that precisely these technologies could bring about the drastic increase in productivity the Soviet economy sorely requires. In the November issue of the monthly *Voprosy Ekonomiki* (*Questions of Economics*), Soviet investment specialist Viktor Krasovskii advocated the broad introduction of technologies fit to raise the temperature of the economy as a whole. He talked about directing investments to create "interlinked complexes of high-energy physics, space research centers, progressive technological schemes of advanced nuclear energy and laser technology" that would be at the core of such an economic approach in the U.S.S.R.

U.S. Christian 'fundamentalists' front for Israel's Begin on the West Bank

by Nancy Coker

When Prime Minister Menachem Begin visited the United States in November 1982, his itinerary raised eyebrows. Unlike visits by other Israeli prime ministers over the years, Begin's trip was not centered on official Washington and meetings with American Jewish leaders. Instead, Begin was to spend the bulk of his time in California and Texas, consolidating an alliance, long in the making, with America's Christian fundamentalist sects.

Although Begin had to cut his visit short because of the death of his wife, from his standpoint the trip was a success. Among the key items up for discussion was a most secret and sensitive topic: real estate speculation on the West Bank. Along with Henry Kissinger, Kissinger's business associates Lord Harlech and Lord Carrington in Britain, Israeli Defense Minister Ariel Sharon, and a host of other oligarchical and mafia-linked figures, America's Christian fundamentalists are up to their ears in a massive real estate scam involving the purchase of Arab-owned West Bank land. The ultimate objective: to ensure that by 1985 at least 60 percent of the West Bank is in Jewish hands.

The middlemen for many of these deals are Christian fundamentalists, who are buying up huge tracts of land from the Arabs and then transferring title to the Israelis.

The overriding purpose of this West Bank land grab is to preclude any U.S.-mediated settlement of the Arab-Israeli crisis entailing an Israeli surrender of the West Bank.

Another purpose is money. Large combines have been formed in Israel, the United States, and Europe to reap huge profits from the resale of West Bank land. The mark-up is 100 percent.

But it's not just Henry Kissinger, Ariel Sharon, and their cronies who are smiling all the way to the bank. The British, and their allies in Moscow, are too.

The Anglo-Soviet angle

In deliberately avoiding Washington as he did, and by publicly linking himself with the fundamentalists, Begin has declared war on Reagan and the Reagan peace plan. Unlike President Reagan, and unlike most American Jews, U.S.

Christian fundamentalists are totally supportive of the Begin government's excesses in Lebanon and of Israel's fanatic refusal to relinquish the West Bank and negotiate a meaningful peace with its Arab neighbors. The Begin government intends to use its alliance with the U.S. fundamentalists, the majority of whom voted for Reagan in the 1980 election, as a battering ram against the President in the 1983-84 pre-election period.

Begin's hook-up with the fundamentalists is confirmation that Israel, under Begin and Sharon, has opted to play along with Great Britain and the Soviet Union to humiliate and undermine the United States in the Middle East. The destruction of U.S. influence in the region is important if Anglo-Soviet designs to impose a zero-growth neo-Malthusian order worldwide are to succeed. To ensure success, the British and the Soviets have joined hands with Greater Israeli cultists like Sharon. Sharon views the United States as the main obstacle to his wild plans to expand the size of Israel, and thus has become the natural ally of London and Moscow in their efforts to eliminate Washington as an effective power broker in the Middle East.

The London-Israeli axis is not surprising to those familiar with the role that Britain played historically in the creation of Christian fundamentalism. Although U.S. historians are fond of portraying fundamentalism as a home-grown American phenomenon, fundamentalism was in fact imported in the 19th century from Great Britain to the United States under the auspices of John Nelson Darby, an Anglican priest. One insider admitted as much: "Without Britain's input, the evangelical movement would never have happened, because the British are the ones who concocted the whole theological schema."

According to the Christian fundamentalist belief structure, Israel plays a central role in God's plan for humanity. "The state of Israel is the precursor of what God ultimately wants to do on the earth and in the heavens," the same source commented. Not surprisingly, many of the British statesmen responsible for the birth of Israel—Lord Balfour and Lloyd George—were also evangelicals. To this day, many evangel-

icals continue to refer to themselves as "Christian Zionists."

As many Israelis and American Jews fear, the growth of fundamentalism and the continued dominance of Sharon's world view inside Israel threaten to transform Israel into a Khomeini-style Jewish fundamentalist state, where irrationalism prevails, accommodation with Israel's Arab neighbors is impossible, and the idea of Israel's eventually serving as a radiation point for science and culture in the region is obliterated.

"I hate to say it," a prominent Israeli novelist told *EIR*, "but under this government, Israel is poised on the precipice of becoming what so many of us, ironically, fled so many decades ago: a fascist state."

Begin's embrace of Christian fundamentalism—the so-called Moral Majority—will only hasten that process.

Terry Reisenhuver: the new Nehemiah

A key figure in the West Bank land scam is Terry Reisenhuver, a Malibu, California, businessman and a Christian fundamentalist. As president of Alaska Leasing Company, Sunbelt Homes, and several other ventures, Reisenhuver has emerged as an important bagman in the buying up of the West Bank.

Reisenhuver's "religious" activities revolve around three fundamentalist entities: his recently formed Temple Mount Foundation, based in California and Jerusalem; the American Forum for Jewish-Christian Understanding, run out of Harrisburg, Pennsylvania; and Tav Evangelical Ministries in Portland, Oregon, a "Christian" adjunct to the fanatical—and militant—Jewish settlement cult, Gush Emunim.

The Temple Mount Foundation has three goals. The first is to "carry out Biblical prophecy" by rebuilding in Jerusalem the Third Temple. The project, which has yet to be publicly launched, is an explosive one, in that the site of the planned rebuilding is now occupied by the Dome of the Rock mosque, the second holiest spot in Islam.

"My business activities take a back seat to my Temple Mount Foundation," explained Reisenhuver. "The background for what I am doing is found in the Books of Ezra and Nehemiah. Nehemiah was an individual outside the Jewish circumstance who worked to get the Second Temple built. Twelve years ago, I consecrated myself to be the new Nehemiah, to build the Third Temple. I never quite knew how I would do it until a little more than a year ago, when I found myself in Israel working with several people committed to rebuilding the Temple and to restoring Jewish control over the Temple Mount, which is now run by the Muslims."

Reisenhuver's two other goals, both of which are kept under wraps, are the acquisition of Arab property in the Old City of Jerusalem, and the acquisition of Arab property on the West Bank. "This is a very delicate matter," commented Reisenhuver, "and we are working very discreetly on it. Several members of the Temple Mount Foundation are involved in purchasing land. In the Old City, we have managed

to acquire property on the corner of David Street across from the Citadel, as the Jerusalem headquarters of the Temple Mount Foundation. We are currently trying to close on an Arab building on Elwad Road near the Temple Mount, but unfortunately we are being blocked by the Wakf [Muslim Religious Council] that controls the Temple Mount. The Elwad Road building is a key location for carrying out our planned subterranean archeological excavations under the Temple Mount, without the Arabs being privy to what we are up to.

"The main problem," said Reisenhuver, "is that the Arabs run the risk of being killed if they sell their land to Jews. So this is where we come in. On the Arab side, we are working with some very friendly Palestinians who are greedy enough to cooperate with us and in some cases front for us."

'A solid, legitimate terrorist'

The head of the Temple Mount Foundation office in Jerusalem is Stanley Goldfoot, a member of the terrorist Stern Gang in the 1940s. Originally from South Africa, Goldfoot is a friend of Begin's and is reputed to have personally carried in the dynamite that blew up the King David Hotel. "Goldfoot is a very solid, legitimate terrorist," said Reisenhuver in describing Goldfoot's leadership qualifications.

Another on-site Temple Mount Foundation operative is Zvi Slonem, who, according to one account, "is actively and aggressively buying land on the West Bank." Slonem, a founder of a Gush Emunim West Bank settlement, "definitely has the blessings of the Begin government," the source said. Other Israelis working with Slonem and the Temple Mount Foundation are Eduardo Recanati, Prof. Harel Fish of Bar-Ilan University, Prof. Asher Kaufman of Hebrew University, and Prof. Moshe Sharon of military intelligence as well as Hebrew and Bar-Ilan Universities.

The Temple Mount crowd works closely with ultra-extremist kneset members Geula Cohen and Hanan Porat of the fascist Tehiya Party of Yuval Neeman. One not-so-friendly Israeli official vis-à-vis the Foundation is Interior Minister Yosef Burg, head of the National Religious Party. According to insiders, the Temple Mount Foundation fundamentalists, working in coordination with Begin, Sharon, and the Tehiya crazies, are out to break Burg's opposition to a Temple Mount adventure on the West Bank planned for February.

"The plan is the following," said Reisenhuver. "The Temple Mount people plan to go into the mosque in the West Bank town of Hebron next month and locate, using ground-penetrating radar, the tombs of Abraham, Isaac, and Jacob. Between you and me, I have very little interest to know where Abraham, Isaac, and Jacob are buried. All that I am interested in doing is setting precedents, so that we can go into the Temple Mount, show the Arabs who's boss, tunnel around underground, build our temple, and so forth. The problem is that we have to get Burg in line. He is refusing to give us permission to go into the mosque in Hebron, because he is

worried about riots and unrest. There is a lot of animosity between our group and Burg. We consider him a reprobate, in short. When I am in Israel in January, we will meet with Burg and deliver him a message if he is still balking."

The message may have already been delivered. In December, Burg's house was vandalized by Sephardic thugs sympathetic to Gush Emunim and Temple Mount Foundation extremism. Efforts are also underway by Begin and Sharon to remove Burg and the National Religious Party from the government coalition by going for early elections. The NRP is also being undermined from the inside with the expected defection of the fanatical Gush-allied faction around Haim Druckman.

One hundred million dollars

The Temple Mount Foundation expects to raise \$100 million in 1983, its first full year of operation. An application for non-profit status was recently filed and is expected to be okayed soon. In the meantime, all money is being laundered through the Harrisburg-based American Forum for Jewish-Christian Understanding, on whose board of directors Reisenhuver sits. The president of the Forum is one Rabbi David Ben-Ami, who is described as "a freelance type" and who has been charged with lining up Jewish support—both financial and otherwise—for the Temple Mount Foundation and West Bank land purchases.

Ben-Ami maintains close working relations with numerous individuals affiliated with the Gush Emunim-linked P.E.A.C.E. movement (Preventing the Emergence of Another Arab Country in Judea, Samaria and Gaza). P.E.A.C.E., like the American Forum for Jewish-Christian Understanding, was formed two years ago under the sponsorship of Ariel Sharon, Manhattan District Attorney Robert Morgenthau, and others. In November 1982, a "Rally for Israel" was held in Washington by the American Forum in collaboration with Christian fundamentalists. A number of Reisenhuver's and Ben-Ami's contacts participated, including P.E.A.C.E. member Rabbi Herzl Kranz of Silver Spring, Maryland, and Rabbi Haberman of the National Synagogue in Washington, D.C. Reisenhuver and Ben-Ami are known to be collaborating with the Zionist Organization of America, the American-Israel Public Affairs Committee, and the Anti-Defamation League. In fact, it was the ADL that originally came up with the idea to invite Begin to participate in a fundamentalist "Rally for Israel" in Texas last November. "The ADL understands the evangelicals better than the evangelicals understand themselves," commented Dr. Paige Patterson, an evangelical leader from the First Baptist Church of Dallas, which was to have hosted Begin during his stay there.

Although many Orthodox Jews are open to working with the fundamentalists in areas pertaining to Israel, most appear to be resistant to going all the way with Reisenhuver and Ben-Ami. "I will work with them in defending Israel," said one Brooklyn-based Orthodox rabbi. "I will work with them to

buy up land. But when it comes to building the Third Temple, forget it. The Third Temple will come from Heaven."

In Washington, the Temple Mount crowd has approached Special Assistant to the President Morton Blackwell for co-operation. Blackwell is very closely linked to the American "New Right" and Bill Buckley's National Review crowd, one of whom, Paul Weyrich, is the brains behind the fundamentalists' political arm, The Religious Round Table. According to one source, Interior Secretary Watt is "very much interested" in what Reisenhuver et al. are up to, as is Secretary of Defense Weinberger. Reisenhuver is also said to be working with several South American business interests, whose identities "are too sensitive to talk about now," according to one insider.

The Stanford Research Institute

One of Reisenhuver's top West coast adjutants is Doug Krieger, formerly of Tav Evangelical Ministries in Portland, Oregon. Tav is comprised of approximately 150 lay fundamentalists who have banded together "to open up an interchange with the Jewish community and with Israel." Behind the scenes, Krieger admits, "we are very much in touch with the Gush Emunim." Specifically, Krieger added, "we are working together on a very vast scale with regards to real estate, and that's all I can say at this point. The only problem that we have is that if the Arab sells his land to a Jew, his life is threatened. So we have to circumvent that little problem, and still get the land in the hand of the Jew. That is being done. They may not sell it to a Jew, but they would not mind necessarily selling it to a Christian, and/or a consortium of business interests. So that is now afoot."

In addition to stirring up trouble on the West Bank, Tav Ministries, in the words of Krieger, is "very much involved with Rios Montt," the fundamentalist president of Guatemala, and is advising the State Department on the situation there from a "fundamentalist vantage." "The Israelis, of course, are training the Guatemalan army. There's a really nice little tie-in going on in Guatemala," Krieger added.

Krieger is now working out of Stanford Research Institute, where a new Center for Biblical and Archeological Studies was just opened up in cooperation with the Temple Mount Foundation and the American Forum for Jewish-Christian Cooperation. Lambert Dolphin, who is chairman of the Radiophysics Department, is heading up the new Center's planned excavations, on behalf of Reisenhuver, in Hebron and on the Temple Mount. Dolphin was recruited to the Temple Mount project by Stanley Goldfoot in Jerusalem last year. Krieger then introduced Lambert to Reisenhuver, and the project was launched.

Significantly, Secretary of State George Shultz sat on SRI's board of trustees. When asked what Shultz's connections were to the West Bank land scam and related activities, one source refused to deny Shultz's involvement, saying the issue was "too hot to discuss at this time."

Colombia needs heavy industry, modern technologies, and bank nationalization

In the coming weeks and months, as the debt crisis comes to a head, the fate of Latin America's population will depend on the emergence of political forces and alliances prepared to intervene with new programmatic solutions. Primary among these forces will be the continent's labor movements which, perhaps more than any other element of society, understand the present monetary crisis as a matter of life and death for the continent's people.

The Club of Life, the international anti-Malthusian institution founded in Rome last October, has undertaken to promote a "North-South Labor Committee" which would serve as a bridge between the developing- and advanced-sector labor/farmer movements for coordinating effective policy.

Jorge Carrillo is one of those labor leaders. As a vice-president of Colombia's largest labor federation, the Union of Colombian Workers (UTC), and the UTC's chief negotiator with the government of President Belisario Betancur, Carrillo has undertaken to simultaneously educate Colombia's 3 million trade-unionists and the well-disposed but often short-sighted government and business sectors with which labor must coordinate strategy.

In the following excerpts from a lengthy interview conducted with Carrillo the week of Colombian labor's mass demonstration for joint debt renegotiation, bank nationalization, and better living standards, the union leader details the contents of his programmatic proposals and the challenges labor faces in forging a labor-government-business alliance for progress.

It is important to note that one week after the mass labor rally in Bogotá, the Betancur government agreed to grant a 25 percent increase in the minimum wage, matching the inflation level and meeting an important demand of the labor march. That agreement has eliminated a dangerous source of destabilization of the Betancur administration and laid the basis for precisely the sort of alliance Carrillo discusses.

The following is an interview conducted in December 1982 by our EIR correspondents in Bogotá, Colombia with Jorge Carrillo, president of the Union of Colombian Workers for

Bogotá and Cundinamarca (Utraboc) and vice-president of the national labor federation UTC.

EIR: What is the program the UTC has been urging for the present situation, and how have the other labor federations responded in terms of presenting a unified policy to the government?

Carrillo: On the occasion of the meeting of the National Council of Labor and Salaries, held some 70 days ago in the presidential palace, the UTC had an opportunity to present to President Betancur a program for fighting unemployment and improving living conditions for the entire population. That program has as its goal reactivating national industry and the agrarian sector. To accomplish this we have proposed that the agricultural sector modernize its technologies; that the government, as the great promoter of this agrarian policy, assume responsibility for mechanizing the countryside and training the growers toward this end; that the government provide not only the indispensable technical aid but also sufficient credit so that a policy of food production can be developed which would not only suffice to supply the internal market, but would yield a surplus for export to the rest of Latin America.

On industry we have said that the government must decide to promote a modern industrial sector, a sector of heavy industry, an industry which within 20 years will place our country at the level of at least some of the European nations, such as Italy. For this we require a frontal battle against those who have insisted that the industry of the country should be limited to assembly of household appliances, a policy which has led the country nowhere.

We have said that we are rich producers of certain indispensable raw materials for industry, such as coal and nickel, and that, using the Atlantic coast, we could install there great plants that would use iron—not just domestic but also Venezuelan iron—for establishing an important heavy industry component. We would have to reactivate the Magdalena River, doing whatever is necessary to recover the lands bordering the river so that they can be used for cultivation,

solving the problem of flooding which periodically occurs and leaves millions of people in misery and abandonment.

We have said that cattle raising could be developed in the Eastern Plains [Llanos Orientales] through modern techniques, that we would have to construct kilometers of highways and railroads, and that this could be made feasible through an economic policy which avoids investing our reserves in unnecessary imports. We have, therefore, argued for an economic plan which would create stable and well-paid employment, which would provide the worker better working conditions and mobility in his job through the incentive of better wages and a better living standard for his family.

EIR: And regarding the labor federations, what points of agreement have been reached?

Carrillo: The leading labor federations of the country have viewed the positions of the UTC with great sympathy, because they are fully aware that the labor movement can only develop and strengthen itself to the extent that we have an important industrial sector, and that the agrarian workers will be more easily organized and enlightened regarding their and their country's needs through these new production techniques.

We, through the program we have put forward—which has already been approved by the UTC National Congress and presented to the UTC Executive Committee—have the support of the organized working class.

EIR: How have businessmen and the government responded to these initiatives?

Carrillo: It would seem the government is in agreement, if not with 100 percent of the program we have presented, at least with a good part of it. But there is still missing the necessary pressure from the population so that this program will be embraced in its entirety by the State, so that the part with which it is in agreement will be rapidly implemented. The industrialists have said that the program is very good, only that it is "very ambitious"; they feel that some of it can be done but not to the extent we want.

EIR: In other words what you are pushing is a worker-industrialist alliance, in order to push the country forward. But I understand there have been some differences on wages policy. . . .

Carrillo: Yes. We have called on the business sector of this country to form an alliance with us to move the country forward; we have invited them to think big, to stop thinking in terms of their small businesses and their small limits to production, but to think in terms of having the human material required to carry out a program of such a magnitude. Unfortunately, we have already come across our first obstacle, which is the labor policy espoused by the government, a policy of freezing salaries and decontrolling prices; in other words, a policy which has been rejected already by the entirety of the population. The businessmen, who are very

shortsighted regarding their own situation, have been pressured to show agreement with this policy which would appear to benefit them but which, in the long run, would bring about the ruin of their businesses.

EIR: What is the current state of negotiations in the National Labor Council?

Carrillo: The UTC is heading up the position that the increase in wages must be above the inflation index registered this year as a barely just means of assuring minimum-wage workers—who are 3 million Colombians and their families—better nutritional levels, because the problem of malnutrition of these workers and their families is a matter of calories. Workers who draw a minimum salary are not eating what is required for subsistence.

On the other hand is the government's position, that minimum wages should be increased below the inflation rate. To this we have said: with such a policy the government is asking the minimum-wage worker to eat less than he did a year ago. That is, that his chances for mere existence worsen; that the children of these workers—many of whom are already dying from malnutrition—well, that their mortality rate increase; and that the families of these workers practically disappear.

Thus what is at stake in effect is neither more nor less than whether three million Colombians, their children, and their spouses, will be able to subsist or not in the coming years.

EIR: What are your thoughts about the financial sector: in recent years there have appeared a series of scandals leading even to the nationalization of one entity. What is the position of the labor federations, or of the UTC, on this matter and how do you view the measures the government has taken in this respect?

Carrillo: One of the demands of the labor federations—all the labor federations—that we have presented to the government of President Betancur is that of nationalization of the banks, because we feel that the financial sector being in the hands of just a few is the cause of the economic calamity which has overtaken the country. We feel that the only means of guaranteeing that the money from national savings goes to the productive sector, to industry which creates jobs, would be if the government takes into its own hands the role of attracting savings and distributing credit, a job made easier by the fact that the government already owns 50 percent of the banks and even more, given that the government itself has said that although it doesn't plan to nationalize the banks, it will do so if they continue to go bankrupt. We cannot, however, wait for more of them to go bankrupt to nationalize the banks; it should be a government policy. Public services should be in the hands of the state; the interests of the community must take precedence over the interests of individuals. A handful of financiers cannot be left holding millions and millions of the national wealth, but the state should intervene to make sure this does not continue to occur.

Is Freemasonry a homosexual cult?

by Leonardo Servadio

According to what has been reported in the press, when the Grand Master of Freemasonry, Armando Corona, went before the Italian Parliamentary Commission investigating the Propaganda-2 Masonic lodge, the biggest nest of vipers ever uncovered in Italy, he was asked to reveal the significance of the giant letter "G" that hung on the wall in the back of the lodge's great ceremonial room. Grand Master Corona calmly responded that he did not know what the "G" might mean.

Masonry is a world in which secrecy is obligatory and mystery the most precious treasure. It is a powerful magnet that attracts the gullible by the thousands, drawing those who feel frustrated by their own intellectual poverty and who aspire to win for themselves the glamour of the man of power. They approach a lodge ready to submit themselves to an incomprehensible hierarchy, to rituals that would make a tribe of baboons howl with laughter, and they subject themselves to this in order to be able to feel themselves protected by this species of secret conspiracy.

The initiate approaches fearfully but willingly the disconnected reasoning, the senseless phrases, the absurd revelations proffered by the Grand Master who promises him that one day he will "know," that step-by-step—if he but submit himself to the Master's wishes—the initiate will know that which the miserable, common mortals will never comprehend: the hidden secret of the universe, *Gnosis!* This is the absolute science which the Master will share only with the Brothers and with the Architect of the Universe.

The "G" that crowns Masonic temples stands for Gnosis, knowledge.

When the initiate has learned that secret, he will know all, and be able to look down on all other mortals. But he will have to be careful not to reveal the secrets that tie him to his sect. He must increasingly see himself as a puppet, who acts out a role in the real world as part of scenarios, written offstage by the few who possess Gnosis, which unfold as a great drama. He will have to help his "brothers" to gain those positions which may permit them to manipulate events in such a way as to realize the inscrutable designs of the Master. And since power is money, the recruits will be encouraged, within the limits of their capacity, to try every means—legal and illegal—to acquire more money.

But this is not the problem with which we intend to deal here. Much has already been written about this in newspapers in connection with the cases of Propaganda-2 and its "mother," the Monte Carlo Lodge.

What interests us here is the Masonic rite as such, the most "profound secret," possessed as an arcane science by a few insiders. This "secret" is a hermetic possession stolen from the real world which is destined never to know its meaning. Not even the poor initiate will know what he is dealing with. We, however, will reveal it. We will reveal the most profound mystery, that which the topmost hierarchy of Masonry will never make explicit, even to themselves. We will reveal it to those who follow us through to the end of our exposition.

It is a revolting, disgusting story, the story of how a restricted oligarchy of eunuchs has pretensions of ruling the world by means of homosexual castration rites. When the truth will have been finally disclosed, in place of the "G" of gnosis, it will be more appropriate to the "temples" to adopt the "E" of the eunuch!

The true story of Masonry

The story of the cults which constitute the germinal patrimony of Masonry is ancient, submerged in the darkness of time. Among the earliest cults is that of the Chaldean-Babylonian goddess Gea, the "Earth Mother." This myth has been transmitted by the Greek author Hesiod, and dates from the beginning of the third millennium A.D.

The Gea myth tells us that after the first war among the gods, Uranus became king of the gods with Gea as his wife. Uranus copulates with Gea in an endless fornication, never separating from her. The sons so conceived are thus locked in her womb, causing Gea to experience immense pain as they grow. Finally, by means of a trick, Gea succeeds in making Cronos, one of the sons who is already nearly adult, slip out of her womb. Cronos must now avenge his abused mother and lead the battle of the gods against Uranus. Cronos himself castrates Uranus with a scythe to punish him, according to the Chaldean version. The Phoenician-Greek version maintains that Cronos castrates his father by eating his testicles.

In both versions, the drops of blood spilled from Uranus' wound fall on the Earth, causing humanity to be born. What a beautiful humanity, child of the castration of the king of the gods!

As in all myths, there is a true story underneath, which references, for instance, the destruction of the ancient civilization of the Atlanteans. Atlantis was in the area where Morocco is today, and its citizens were city-builders who were defeated and led into the total barbarism of a matriarchal society. The matriarchy was a destructive empire which had its center in Babylon.

In this matriarchical society, a class of priests dedicated to cannibalism practiced the cult of Mardok. The myth of Mardok is this: Mardok sits at the edge of the desert with his mouth thrown open wide and waits. He waits for the desert to claim its victims, and he will eagerly eat them.

The image of Mardok will be superimposed onto the image of Zeus in Greece. In Egypt, the same type of decadence overtook a civilization of city-builders in the form of the cults of Isis-Osiris-Horus. (The cult of Isis was revived by Scottish Freemasonry in 1717.) It is yet another version of the old, destructive castration cult.

Isis, Osiris, and Horus form a species of trinity that, as in the cases of preceding cults, is centered around the figure of the mother-witch who rules over all, rendering her husband impotent and destroying her children. It is a concept of the trinity employed by an exclusive oligarchical class to dominate an impotent society, a society which must not be allowed to change.

Christian Revelation overturned precisely this concept of the oppressive trinity centered on the figure of the castrating and destructive mother, in order to replace it with a Trinity centered in the figure of the creative Father. The fact that the Masonic rite recreates this evil type of matriarchical-oligarchical trinity is therefore that much more significant, that much more Satanic.

The myth of Isis is the following: the god Seth persuades Osiris to stretch out in a bier which he quickly closes and throws into the Nile River. The body of Osiris, however, is propelled along the riverbank and is recovered by Isis. When Seth becomes aware of this, he takes Osiris back, cuts him into pieces and throws them into the Nile. But Isis, the witch, finds all the pieces of Osiris and puts them back together. She is missing only one part, the penis, which cannot be found. Isis has created her brother and husband, Osiris, as a *castrato*. The matriarchy continues. Nevertheless, miraculously, from this union with his sister Isis, Horus, the son-falcon, is born. Isis is the myth of the earth-mother, the goddess creator of impotent men.

Examining in greater depth the transformations of the cult of Isis in the Greek myths of Apollo, Dionysius and Hermes, and finally in the Latin cults of Mythra, we have a picture of the Satanic-Lucifer cult which is the basis of the Masonic gnosis: the illusion of "knowing" cultivated by those enslaved to abysmal ignorance.



Mythras and the castrated bull, Roman transmogrification of the Babylonian version of Egypt's Isis-Osiris cult (statue 2nd century A.D.).

The basis of those cults making up the galaxy which inspires the world of Masonic sects is identical to the structure of peasant ideology, which thrives on natural phenomena whose causes remain unknown to the dulled mind of the superstitious.

Originally, all the cults centered on the mother image represented her as Mother Earth, mystic generator of the fruits on which man feeds, and ferocious unleasher of irresistible natural phenomena. As long as Man submits to the seasonal cycles of "Mother Earth," he is destined to remain impotent and to identify with animal life, in all its manifestations; and on the same cyclical-magical conception is founded the Masonic theory.

Animal images in the Egyptian cult

Horus, the son of Osiris in the Egyptian myth, is identified as the Sun-god. But the Sun-god is represented iconographically by the scarab: the insect that wraps her own eggs in excrement. Sensuality is represented by the serpent: the senses, exemplified by the phallus torn from the body of Osiris, which has a life of its own, came to be thought of as something totally autonomous and independent from human reason; the beast is considered the ruler of the mind.

The serpent assumes greater and greater importance in the cults of Osiris. Often there are iconographies of the Pharaoh with a serpent coming out of his forehead; this is the

symbol of the secret knowledge of the Pharaoh, but in reality, given the meaning of the serpent symbol, it more probably stands to indicate that in the end, the Pharaoh had nothing but that on his mind. This would perhaps be an appropriate symbology to represent certain illustrious Masonic figures of today.

The serpent appears often with his tail in his mouth, as in a circle. It is the symbol of the eternal returning to itself, the symbol that life and motion change nothing in the reality of the universe, exactly like peasant belief based on the simple, primitive experience of the continual return of the seasons, year after year, without any substantial change in his way of life. The Egyptian Book of the Dead takes this reasoning to its extreme, prophesying that at the end of time the world will return to the primitive state of undifferentiated chaos.

As if to say that in substance nothing will change, history is a succession of already completed acts. Events are "represented" in history as great theater, but are not destined to have any influence on the final result, since everything will disappear in the undifferentiated chaos. In practice, it is the philosophy of total impotence: the castration myth of Isis-Osiris lets slip a very painful reality. And this type of conception is at the base of every negative philosophy: An example is in the Nietzschean philosophy which is the basis of Nazi philosophy. The very symbology adopted by the Nazi movement, the swastika, is taken from the ancient Egyptian symbology of the cult of Isis-Osiris. Naturally, it was not the puppet Hitler who selected a symbology so ancient and pregnant with meaning; it was selected by his superiors and controllers in the cult of Thule, an oligarchical group which believed and continues to believe in using these ancient cults to keep society under control.

In other words, this theory is that of historical occurrences and recurrences, cycles that continually repeat themselves destining man to change nothing, deriving from history that only the most "cunning," those who have "wisdom," will know how to intervene into the recurring cycle in such a way as to realize the maximum personal advantage, an advantage measurable in terms of material pleasure.

It is in fact greed which is the basis of this type of cultism, the mean greed for hedonistic pleasure in and for itself. A search for pleasure will never be really satisfied because it generates continuous greed without bottom, never reaching the purpose of life, that of reproducing human life not only through procreation, but also through the education of the young to a higher level of life and thought.

Lacking this orientation, the hedonist lacks the sense of progress and all basis for morality. It doesn't matter if the pleasure be homosexual, or the result of drugs or of some other form of depravity. This is the type of culture properly defined as Dionysiac, used over the centuries to foment Jacobin revolts and to bury urban civilization.

The Sun-god Horus was transformed into the Greek god Apollo, and the Delphic priests in Greece in similar fashion reproduced the Isis-Osiris cult in the Dionysian cults. Like

Osiris, Dionysius is chopped into pieces and put back together by his mother; like Osiris he remains castrated and thus totally dependent, the blind executor of maternal orders. He becomes the instrument maneuvered by the mother to carry out her vendettas. In different disguises, Dionysius is introduced into the city preaching the search for pure pleasure, and in this way draws the women out of the city to perform magical, orgiastic rites based on drugs. Caught in this spiral, the women are instructed to return to the city to carry out the final revenge: to castrate and murder their husbands and the king of the city, whose phallus is then dragged triumphantly around. In this way, Earth Mother rules.

The Dionysiac rites came to be practiced by the priests at Delphi through the castration of animals: thus symbolizing destabilizing practices against urban culture. Priestesses existed whose mission was to swoon under the effects of drugs, and to abandon themselves to hysteria that came to be interpreted (with an artistry that would make our modern sociologists and psychologists envious) as forecasting events and giving direction to the rulers: in short, an instrument of pure and simple manipulation of power by the cult that was the real power, the hidden power.

The cult of Isis-Osiris-Horus also transmigrates to Rome in the form of the Mythra cult, even more shamelessly bestial than the other cults. Mythra like Horus is the god of light, literally "Lucifer," spokesman for light or knowledge. Yet, also in this case, it is a question of a rite based on symbolic castration of the bull. But what "light" is brought by a god whose rite consists of castration?

The case of Hermes Trimegistus

A very important element of "mediation" among these gods, predominantly castrated or subject to the will of the Earth Mother, is Hermes, or Mercury. The fundamental idea of the Hermes cult is that whoever follows his doctrine becomes a god, since Hermes reveals to man the divine, and with the simple act of revelation, elevates man to the level of god. As we have seen, this is the fundamental illusion in which the disciples of the gnosis bask.

The Egyptian version of Hermes is Toth, depository of the secret knowledge that only the priests know how to transform into human knowledge. In Greece, he is considered "Trimegisto," that is, three times extremely great. He is the busybody-god, the very image of the pirate financier, speculator, and exporter of capital to which the likes of Grand Master Licio Gelli of the Propaganda-2 lodge may aspire.

Hermes is very beautiful and always carries with him a caduceus with which he hypnotizes, puts people to sleep, and transforms into gold whatever he wishes. The caduceus is composed of two serpents wound one around the other, looking at each other at the top. The same symbol is widespread throughout the Orient where it is known by the name of Khundalini, and supposedly represents sexual potency; but certainly one must reach the ultimate in perversion before one can associate sexual potency with two serpents twisted

around a spine. Incredible but true, the same symbol is found today in the pastoral staff of the Patriarch of Constantinople.

Hermes is the god of doctors, of sleep, of fantasy, inventor of mathematics, and according to some, also of the alphabet; he accompanies souls to Hell; he is the very clever messenger of Zeus, but his most special function is that of revealing wisdom. Where does he get it? He steals it. It is not for nothing that he is also the protector of burglars and spies and draws his own vitality from swindlers. In other words, he does not work, he believes in nothing, but sticks to cheating, selling forgeries, and swindling. In this way he acquires wealth and wisdom. Whoever follows him can aspire to practice cheating and espionage and remain unpunished.

"Hermetic" knowledge, the term hermeticism, derives exactly from this swindler-busybody god, and it is precisely from this line of cult that springs the "gnosis" as the art of learning with magic (or better, with swindles), the knowledge that renders you equal to gods, since among other things, but not secondarily, you can transform into gold whatever you like by the power of the caduceus. Translated into practical terms, is this not exactly the image of the speculator, capable of acquiring wealth not by productive activity but by fraud?

And what kind of knowledge is this, acquired by fraud? It is knowledge of the gnostic-hermetic rites. It is the knowl-

edge of one who does not know the creative activity of scientific knowledge and views scientific discoveries with the envy typical of one incapable of reproducing them or of truly comprehending them, and therefore not able to do anything other than steal them and hide them under a veil of mystery. His aim is to conceal knowledge from the eyes of everyone in order to keep it only for himself, hoping to draw from it greater potency, but in reality, it is here that he shows himself to be pathetically, intellectually impotent.

Similar to the hermetic mysteries are those of the cabala, in which numbers assume their own power as the cause of events in the real world—this, too, is a belief suited to the financier-speculator.

It seems that Hermes was in reality originally a mere phallic symbol, and that he was only elevated to the dignity of a god at a later date. But as is revealed by the humanist commentators, he retained a small defect. Consistent with the perversions of the castration myths, related to his alter ego, Apollo, he has remained a homosexual.

And so, observing this mythical Olympus, one finds concealed there the most cruel, animalistic perversions, from castration rites to cheating and plunder. What would one say to those who make these myths and their successive transformations the mystical basis of a supposed "secret knowledge," a modern-day cult to which one's own life is made to conform?

EIR Special

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The shadow of the March elections

Facing mass unemployment, the unions are offering denunciations of technology, and threats of violence.

Heinz Oskar Vetter, the former head of the German Trade Union Federation (DGB), threatened in an interview Dec. 29 that the unions will join forces with the peace movement and the "Greens" to unleash a wave of mass violence in the Federal Republic of Germany if the rapid growth in unemployment is not stopped. Vetter's warning feeds a political situation that is already highly polarized and explosive, as the country heads for new elections March 6.

Unemployment is now officially expected to reach 2.5 million in the next few months (approaching 10 percent of the labor force), but pollsters are privately anticipating that this rate will triple or quadruple by 1985-86, bringing the country to "conditions such as those which brought down the Weimar Republic," as one pollster put it.

Vetter and the unions are demanding an end to technological progress as their only "solution" to the crisis. "Will the responsible gentlemen in politics and business only wake up when the dissatisfied, the unemployed, the peace movement and the environmentalists are in the street together?" Vetter asked in his interview to the popular daily *Bildzeitung*. "Then we will be threatened with violence and democracy will be endangered.

"The most important reason for the crisis is that rapid technological progress is killing more jobs than it creates. New investments do not help the un-

employed. We must control technological progress simultaneously worldwide. At the world economic summit in the United States in May, a binding agreement to control technological progress must be reached. . . .

"If we finally reach a comprehensive national and international concept to overcome the crisis and unemployment, then we will support it. Then I would agree—if it is necessary and if this helps—to lower living standards. This must be socially just and must affect everybody."

While Vetter, the unions, and the Social Democratic Party (SPD) are demanding a revival of Keynesianism and "share-the-poverty" schemes, their "free market" opponents insist on more and more austerity and deflation, even up to a crash of the banking system. Both "left" and "right" agree, however, on the need for a restructuring of the economy away from basic industry (like steel) and high technology, toward the "Aquarian" ideal of the post-industrial society.

One expert from the Kiel World Economics Institute, asked about the plans of those bankers who want to engineer a crash to reshape the world economy, had this to say: "Oh yes, there are a lot of people thinking that way. The danger of this scenario is that while they are right that a profound crisis is required to shake up people's minds and force them back to economic reason, such a crisis could give rise to new fascism, like in 1932."

The analyst predicted that Social Democratic Party Chancellor candidate Hans-Jochen Vogel would gain a majority in the coming elections, supported by the Green Party; German businessmen would then take their money out of the country by the suitcase-full. "There is a vital threat of a new fascism emerging," he said, "and there should be no illusion as to the stability of Western societies."

Since the fall of the Bonn government of Social Democrat Helmut Schmidt in a "cold coup" which placed Christian Democrat Helmut Kohl in the chancellery, the traditional, growth-oriented wing of the unions and the SPD has collapsed.

The standard bearer of the "new," left-controlled party, Hans-Jochen Vogel, is campaigning for a corporatist "solidarity pact"—a share-the-poverty scheme along the lines outlined by Vetter. Vogel arrived in the United States Jan. 5 for discussions with American government officials and AFL-CIO head Lane Kirkland—discussions which will include the "solidarity pact" as well as the issue of arms control.

Helmut Schmidt himself has abandoned any pretext of leadership for a pro-growth policy, and is instead devoting himself to efforts toward "European unity"—a code word for British political, economic, and especially ideological domination over the continent.

While in office Schmidt had intermittently battled the British on key issues, and it was banking circles in London that led the successful effort to oust him from office.

In a commentary in *The Times* of London Jan. 3, the apparently brainwashed Schmidt pathetically declared that "it is time we stopped talking about the so-called 'British problem'" and praised British partnership in Europe.

Bhutto treatment for López Portillo?

British Intelligence circles want to see the former President's pro-growth "sins" punished.

"It would be extremely gratifying and just if the federal Attorney General were to launch an investigation into the illegal fortunes accumulated by officials of the previous administration," declared an op editorial in yesterday's edition of the Mexico City daily, *El Heraldo*. The principal target of such investigation, the article made clear, should be former Mexican president José López Portillo.

The *El Heraldo* column is just the latest volley in a media bombardment of the former Mexican President, designed to deflect Mexicans' growing rage over their drastically lowered living standards from the International Monetary Fund, onto a convenient scapegoat.

The virulence of these attacks vividly reminds me of President Ali Bhutto of Pakistan who, under similarly phony charges of "corruption," was tried and hanged in 1979 by the military dictatorship of Zia ul-Haq. Henry Kissinger's famous threat that he would make a "horrible example" of the stubbornly pro-growth Bhutto now haunts López Portillo.

On December 8, the daily *Novedades* asserted that "a President who takes his country to such a disaster deserves a trial." Among López Portillo's "crimes," *Novedades* listed the President's last-minute measures, decreed Sept. 1, Mexico to defend economic sovereignty through the imposition of exchange controls and the nationalization of the usurious private banks. Asking readers "how is he going to pay?" the *Novedades* edito-

rial suggested options for a variety of attacks on the President, ranging from a trial, to physical assaults, to harassment of his family.

As readers of this column might remember, *Novedades* is partially owned by former President Miguel Alemán, Henry Kissinger's closest ally in this country.

But these calls for López Portillo's head are no more than "native" regurgitations of a worldwide propaganda campaign born out of British intelligence circles to portray López Portillo as a corrupt leader who in his greed for wealth and power brought only misery to his people.

A good example is the Dec. 20 issue of *Time* magazine which asserts that "to many Mexicans, the previous regime's corruption is best symbolized by 'Dog Hill,' an Olympian, 32.5 acre complex high above the Mexico City smog line, where López Portillo has built palatial homes for himself and his children."

While Kissinger denounced Bhutto for wanting to build a national Pakistani nuclear industry, *Time* can't pardon López Portillo for his "grandiose development schemes, including a national system of support for basic agriculture and a plan to build 20 nuclear reactors."

Time's phrase reads like a poor English translation from the equally pro-British and anti-growth German magazine *Der Spiegel*, which in its Nov. 15 issue had asserted that "on an isolated hilltop, high above the acrid smog of Mexico City, he [López Por-

tillo] builds himself an Alcazar, a mighty fortress of red stone."

The story of López Portillo's "greed for mansions" had originally appeared here in Spanish in the magazine *Proceso*, which, as you might remember, ran a vociferous domestic campaign against the López Portillo administration's plans to use its oil revenues to industrialize.

The "academic" justification for this witch-hunt is a voluminous treatise on "corruption in the Third World" produced by the Philadelphia-based Wharton School of Economics. Authored by Russell Akoff, a sociologist trained in the London-based Tavistock Institute of psychological warfare, the study gives guidelines for directing national passions away from economic growth and onto so-called government corruption practices.

The image of a greedy President insensible to his people's plight is clearly aimed at diverting the Mexican population's anger over the present economic crisis away from the International Monetary Fund and other such monetarist agencies now demanding the dismantling of this country's industrial base. Totally absent from *Time* magazine and the *Der Spiegel* articles is mention of the mismanagement by New York-London-Basel banks and the IMF of the world economy.

A domestic version of this diversionary job was presented Jan. 3 by Federico Reyes Heróles, son of Education Minister Jesus Reyes Heróles and a columnist for the leftist daily *Uno mas Uno*. In his article, Reyes passionately defended the capital-flight specialists of the formerly private banks, whom López Portillo called traitors in motivating his Sept. 1 bank nationalization. Said Reyes of these bankers: "[They] indeed have many sins to their name, but not that of creating the crisis we are going through."

Countdown for the Non-Aligned

The March New Delhi summit—the first since 1979—promises to be the most important since the movement was founded.

Officials in the Indian Foreign Ministry have started using a novel type of desk calendar. The most prominent aspect of these calendars is not the date, but the large red numbers emblazoned on them. The numbers—which last time I looked stood at 54—mark the countdown to the Seventh Non-Aligned Summit meeting to be held in New Delhi in early March.

The last summit, held in Havana in September 1979, was attended by 52 heads of state or governments. This year, out of a total membership of 96 countries (plus the PLO and SWAPO), over 70 heads of state or governments are expected to attend what promises to be the largest—and most important—summit since the movement was officially founded at Belgrade, Yugoslavia in 1961.

India's Foreign Secretary and the Secretary General-Designate of the Summit, Mr. K. Natwar Singh, noted at a Jan. 4 press briefing that the meeting "takes place when important matters of peace and development are on the agenda . . . the eyes of mankind will be on the Summit."

Singh stated that the major theme of the summit will probably be the "world economic crisis." This concern was reflected in a recent speech by Prime Minister Indira Gandhi, in which she condemned the developed nations for keeping the developing sector "imprisoned in the monetary system, the financial institutions, and other ideas developed by the powerful and affluent nations for their own profit."

Two days later, the Secretary in the External Affairs Ministry in charge of Economic Affairs, Mr. Romesh Bhandari, warned that if a solution is not found soon to the international economic crisis, the "entire financial system of many countries" will collapse.

But it is not yet clear if all the non-aligned nations are fully aware of the severity of the world depression, which has been manifested most directly in the debt crisis facing the large debtor nations of Ibero-America, such as Mexico, Brazil, and Argentina. Neither Brazil nor Mexico are members of the Non-Aligned, and Argentina has traditionally kept a low profile since it joined in the mid-1970s.

The demand for a moratorium on payments and the establishment of a new development-oriented international monetary system, however, has been part of the Non-Aligned Movement's resolutions since the Colombo summit of 1976. The implications of the Ibero-American situation will undoubtedly be conveyed to the rest of the Non-Aligned members at a meeting of the coordinating bureau to be held in Nicaragua from January 10-14 to discuss Ibero-American problems.

African countries are also facing severe debt problems, although one East African diplomat indicated to me that the developing nations often shy away from unilateral action on debt because they fear a total cut-off of the food imports on which they depend.

Several diplomats I have spoken to are also concerned that attention will

be diverted away from these critical economic problems—as has happened in the past—by the more intractable political issues. There is a wide divergence of political and ideological views among the nations of the Non-Aligned, which range from Cuba on the "left" to Singapore on the "right." Issues like the Soviet intervention in Afghanistan, the independence of Puerto Rico, seating of a delegation from Kampuchea, and the conflicts of Chad, Morocco, and between Iraq and Iran could take up time.

In an effort to narrow differences before the conference begins, India's three secretaries in the External Affairs Ministry have been travelling extensively for consultations with large numbers of member-states. After these consultations, the Indian government will finalize the draft statement by the end of January. Formal discussions at the foreign ministry level will then begin on the first of March, and the heads of state will arrive in New Delhi to open the summit on March 7.

According to some reports, the Indian government is trying to reduce the length of the statement, which has become longer and longer at each summit. Natwar Singh acknowledged that all the members would like a brief final document "with clear focus and thrust."

There is no doubt that the Non-Aligned Summit will establish India's role as undisputed leader of the developing-sector nations. Not only is India the most populous nation of the Non-Aligned, but it has built up a broad-based industrial and agricultural economy capable of producing everything from consumer foods to entire steel plants, and is largely self-sufficient in food production. And Prime Minister Indira Gandhi is widely respected for her ability to keep a firm, independent foreign policy course for India.

International Intelligence

British intelligence announces housecleaning

The British have announced a major reorganization of their intelligence services. Characterized by the *London Times* as the "biggest shake-up since 1939" the reorganization involves the removal of the Foreign Office from the chairmanship of the Joint Intelligence Committee, a position it has held since World War II. A new full-time chairman for the JIC will be appointed in the near future. New appointments in other intelligence divisions such as MI-5 and MI-6 are also expected some time this spring.

Also, the head of the Bank of England, Sir Gordon Richardson, has recently been replaced in that post by a member of the Black Oligarchical Cecil family. One of Britain's oldest and largest insurance companies, Lloyds of London has also recently been reorganized: about two dozen of its top directors have been ousted. The key aspect of this reorganization is that Lloyd's will be put under Bank of England control, in other words under the control of the Cecils.

Spaniards gather to hear the LaRouches

"The economic future of Spain will depend upon Spain finding an effective role in the economic development of Ibero-America," Lyndon H. LaRouche told a select gathering of economists, politicians and diplomats Dec. 17. It was the first time that LaRouche and his wife, Helga Zepp-LaRouche, chairman of the European Labor Parties, made a public presentation in the capital of Spain.

LaRouche explained that the "problem that Spain faces in the long term is to develop a Spanish capital-goods industry which would be the economic resource for expanding trade with Ibero-America. Spain must break free from just exporting foodstuffs and cheap shoes."

"Spain has a historic, decisive relationship with Ibero-America—a relationship which is widely accepted in Spain and Ibero-America." The historical fact is, LaRouche said, that "Spain represents Europe to Ibero-

America, and Ibero-America to Europe," LaRouche continued.

The LaRouches' short stay in Spain coincided with a visit to Madrid by Secretary of State George Shultz, who visited Spain as part of his recently concluded European tour. LaRouche had only one thing to say about Shultz: "Any American official that says that there will be a slight economic recovery of the U.S. or European economies in 1983, is a liar. . . ." He called the U.S. State Department the "Washington branch of the British Colonial Office for at least the last 30 years."

Madrid will be the site for the celebration of one of 50 international conferences sponsored by the Club of Life in February in anticipation of the New Delhi Non-Aligned Nations meeting in March.

Mexican fascist threatens EIR writer

Tim Rush, *EIR's* chief Mexican analyst, was the object of a recent death threat delivered in the pages of *Impacto* magazine in Mexico. The threat came from Mauricio Gomez Mayorga, an associate of the anti-Castro terrorist group Alpha-66, and other fascist groups operating in Mexico.

Rush identified Gomez Mayorga as having participated in a series of secret September 1982 meetings to plan the political-military overthrow of the Mexican constitutional state and its nationalist leadership (*EIR*, Nov. 2, 1982). The meetings were organized by the international Nazi networks enscornced in the drugs-and-weapons traffic in Ibero-America, whose historical ancestors include the Cristero rebels of the 1920s.

"For your information and your discomfort, Mr. Rush, I am one of those people who don't let things go by, and who never forgive an affront, and I have lots of experience fighting enemies," Gomez Mayorga wrote. He didn't deny Rush's charges, but only observed that he, Gomez Mayorga, was too young to have been a Cristero. In the same publication he urged that fascists intend "not to die for Mexico, but to kill for Mexico."

Impacto is a popular platform for drug and sex pervers, hard-line "free-enterprise"

economists, and "Cristero" religionists who advocate rebellion against the government.

Andean meeting invokes Botanical Expedition

The Andean Labor Party (PLAN, collaborators in South America of Lyndon H. LaRouche,) celebrated the beginnings of a new "independence" movement on the continent with its Dec. 18-19 conference in Bogotá, Colombia entitled: "A Second Botanical Expedition: The Ibero-American Response to the World Strategic Crisis."

Nearly 200 years ago, leading humanists from Spain, other Western European nations, and Ibero-America collaborated around a project designed to establish the basis for independent republics in the New World. Central to that effort was a great scientific exploration known as the Botanical Expedition.

PLAN Secretary-General Maximiliano Londoño described LaRouche's "Operation Juárez" as "the key weapon of the Ibero-American nations" for establishing the kind of economic and political alliance which can make a scientific and cultural renaissance along the lines of the Botanical Expedition possible.

Said Londoño in his keynote address, "Our region has immense natural wealth and installed technological capacity, but the International Monetary Fund and World Bank prescriptions for debt payment are creating the conditions for genocide in our countries. Today we find ourselves in a phase change and the solution is 'Operation Juárez'."

The conference was attended by PLAN members and collaborators from Peru, Venezuela, and Colombia, as well as by guest speakers from the International Caucus of Labor Committees of the United States and Europe.

Peruvian: nuclear subs for Ibero-America

Ibero-America needs not only nuclear energy for electricity, but, given the experience of the Malvinas war, for powering submarines for its defense, a former Peruvian

prime minister proposed recently. Retired Gen. Edgardo Mercado Jarrin, a nationalist who was forced out of office as a result of the 1976 "Kissinger coup" against President Juan Velasco Alvarado, told a continental conference on geopolitics in Venezuela in mid-December that now is the time for Argentina and Brazil to launch a nuclear co-operation program that would allow both nations to build nuclear-powered submarines. Well-placed sources in Argentina have indicated that nation has begun to move toward this objective.

Mercado's proposal occurs within a context of a battle throughout Ibero-America on the role of the military: whether it will serve as an enforcer of IMF genocide, or will assume responsibility for the defense of sovereign republics. The Peruvian newspaper *Kausachum* recently noted in an editorial the distinction between the two types of military: "The first lesson learned [from the Malvinas] . . . is that those armies used by the governments in repressing their peoples are not made of soldiers capable of carrying out real war. The cowardly act of killing unarmed fellow countrymen is repeated, inexorably, in the face of the enemy." *Kausachum* also reported that Peruvian fighter pilots flew in combat over the Malvinas on the side of Argentina.

Bolivian army purges 'cocaine generals'

With the support of President Siles Zuazo, Bolivia's Army commander-in-chief Gen. Sejas Tordoya purged 15 army officers from the armed forces Dec. 21, all of them associated with the drug and arms trafficking and paramilitary death squads that characterized the 1980-81 "cocaine government" of Gen. Luis Garcia Meza. Garcia Meza and his former Interior Minister Col. Lui Arce Gomez were among the 15 purged.

Arce Gomez, who was recently granted political asylum by the Argentine military junta, is wanted by authorities in La Paz for drug running, coordinating paramilitary death squads, and for the assassination of Socialist Party leader Marcelo Quiroga Santa Cruz in mid-1980. In his post as Interior Minister, Arce Gomez was also the chief

protector of Stefano delle Chiaie, the Italian terrorist associate of Henry Kissinger who orchestrated the 1969 bombing of the Bologna train station, and is a key link in Stipam International's drug/arms-for-oil operation currently under investigation by Italian authorities.

On Dec. 24 military sources in La Paz revealed that two more former members of the Garcia Meza cabinet—Air Force Gen. Waldo Bern and Vice Admiral Ramiro Terrazas—would be next in line for purging. Together with Arce Gomez, Bernal and Terrazas are accused of running an illegal trade in semiprecious stones to Brazil while in office, with profits of roughly \$20 million.

The Bolivian president understands that his efforts are threatened by the vestiges of the terrorist paramilitary apparatus still existing in the country, that is also protected by similar networks in neighboring Argentina.

The purge of the armed forces met with the immediate approval of the Bolivian population and its organized labor movement represented by the Bolivian Workers Central (COB). Immediately following the Dec. 21 purging, a COB leader praised the armed forces for "definitively separating out those officers who massacred, tortured and murdered workers, looted our national wealth, and discredited the nation through drug trafficking."

Colombian offensive vs. cocaine processors

The Colombian government, through its Foreign Trade Council, has just placed the products vital to cocaine processing on a "previous authorization" list, while ordering that all importers of these products must receive special import approval from the Colombian National Drug Council. The products include: ethyl ether, solvent acetone, varnish-diluting compounds and hydrochloric acid. Colombia is the world's leading refiner of cocaine and, under the new government of Belisario Betancur, has determined to "exercise special and constant control over the principal ingredients" of cocaine refining, as part of its continuing drug crackdown.

Briefly

● **GEORGE SHULTZ** is reported to have been instrumental in forcing French foreign minister Claude Cheysson to cancel promises of a substantial aid package for Ibero-America.

● **TOM ENDERS** was in Mexico in early January talking to foreign minister Sepulveda. The U.S. under-secretary is trying to rope the Mexicans into the so-called Forum for Peace and Democracy, which would label Nicaragua the aggressor in Central America. He presumably was not pleased when Mexico reaffirmed its joint peace initiative with Venezuela for the region on Jan. 6.

● **HARRY SHLAUDEMANN**, another State Department Kissingerian, called upon Argentine foreign minister Lanari, who is scheduled to attend the Non-Aligned Coordinating Bureau meeting in Managua, Nicaragua, starting Jan. 10. Dirty Harry expressed the United States' "concern" over this key Non-Aligned meeting, as did U.S. ambassador to Nicaragua Anthony Quaintain, when he called on foreign minister D'Escotto at the same time.

● **JACQUES ATTALI** and Finance Minister Delors are being "fed from the outside" according to one source, in a campaign to force France to go to the IMF for a financial bailout.

● **LYNDON LAROUCHE**, we are told, is trying to ensure that Henry Kissinger's designs against King Hassan of Morocco fail. Morocco, Algeria, France, and Spain will be meeting to discuss regional concerns.

● **ROGER GARAUDY**, reject from the French Communist Party, Muslim Brotherhood sympathizer, and recent convert to Islam, arrived in Saudi Arabia early in January. His appearance is connected to the common interest of both British and Soviet intelligence in expelling American influence from the region.

BIS tries 'panic' blackmail to force bail-out of IMF

by Graham Lowry

Financial forces directed by the Swiss-based Bank for International Settlements (BIS) rang in the New Year by attempting a dangerous "controlled financial panic" aimed at forcing Congress and the Reagan administration to impose more extreme levels of austerity and push the United States into irreversible depression. On top of a propaganda scare launched with the "debt bomb" cover story of the Jan. 10 issue of *Time* magazine, Secretary of State George Shultz, under orders relayed through Morgan Guaranty in New York, is directing a campaign against the President and Congress, threatening that unless the U.S. government bails out the International Monetary Fund and the major commercial banks, and slashes domestic spending by another \$30 billion, a worldwide financial collapse will ensue.

Thus the same lunatics whose international economic policy has pushed the world economy to the edge of the abyss are now stepping forward to use that fact to terrorize whole nations into accepting a global austerity regime, risking a global blowout at the same time. A major target of the BIS terror campaign is the U.S. Congress, which, with an eye to its depression-wracked constituents, is in no mood to gut necessary government programs already cut to the bone.

Boosting the corruption of Congress

Time magazine adviser and Morgan Guaranty's chief economist Rimmer de Vries, who had a major hand in the "debt bomb" issue, told a journalist recently that the purpose of the cover story was to "corrupt Congress." Congress "will have to be responsible for the IMF expansion in the final analysis," de Vries said, because it "is only concerned to listen to public opinion. . . . The point is, we have our own

way of corrupting the Congress . . . corruption by the corruption of public opinion" (see *Economics*).

Such "corruption" of Congress, which de Vries boasted had already succeeded in the case of House Banking Committee chairman Fernand St. Germain, is designed to force Congress to accept a budget resolution requiring massive cuts in defense spending, the domestic budget, and entitlements, as well as increased taxes and a major boost in the authorization for the IMF. Some Banking Committee sources report that an "off-budget" bailout fund of \$30-50 billion has already been set aside for the major New York commercial banks. The regional and smaller banks will be allowed to fail, and in the crisis Congress is expected to follow BIS orders with no questions asked.

To further intimidate Congress, that bastion of foreign interests known as the Senate Foreign Relations Committee will hold three hearings over the month on the international debt crisis, "rigged," as one staffer put it, to break any congressional resistance with testimony on "what will happen if we go over the edge." To be conducted by Sen. Charles Mathias in his International Economic Policy subcommittee, the hearings, set for Jan. 10, Jan. 19, and Feb. 1, will provide a propaganda mill for a host of oligarchical policy makers, including none other than Morgan's Rimmer de Vries. Former Treasury Secretaries Henry Fowler, William Simon, Michael Blumenthal, and G. William Miller, all previous overseers of the "controlled disintegration" of the U.S. economy, are slated to testify, as is Lane Kirkland's favorite "economist," Felix Rohatyn, the Big MAC ravager of New York City who last fall defined the IMF in congressional testimony as "a global Big MAC."



Lazard Frères banker Felix Rohatyn, who destroyed New York City, now takes aim at the nation on behalf of the BIS.

Additional witnesses scheduled include Robert Hormats, late of the State Department and one of Henry Kissinger's "young boy" network, and John Heimann, the former Comptroller of the Currency.

Overseas Development Council president John Sewell, another scheduled witness, recently stressed the need to "explain to the American people how important it is to keep the present system going," while one of his cohorts emphasized to a reporter that "by putting out the word that there is a crisis out there, the White House and the Congress will be forced to deal with it." The committee will also hear from William Ogden of Chase Manhattan, the man who organized the two meetings of the so-called "Ditchley Group" of top banks.

Overcoming the populism

The "surrender or else" message that the Mathias hearings are to deliver—while the Senate and House are officially in recess awaiting the President's State of the Union address at the end of the month—will go out to an American population that BIS agents on Capitol Hill uneasily note is in a "populist" mood. In the words of one Senate Foreign Relations staffer, "The perception in Congress of the international economic situation is negative. People see profiteering American banks and anti-American Third World countries." To shift that mood to one of blind desperation opening the way for the BIS, "the hearings are rigged to get us from here to there."

Mere populist sentiment against the banks is not seen by the Shultz and Wall Street crowd as an insurmountable obstacle. A number of congressional offices that have opposed funding increases for the IMF in the past have indicated

recently that they might accept IMF demands if stricter conditions were imposed on lending to the Third World by the major New York banks. But that is precisely the policy that the Swiss and British financial oligarchs want to impose.

The Democratic congressional leadership, moreover, is signaling that at most it will simply hold up approval for the IMF increase until the administration concedes to major defense cuts and a cosmetic salvaging of some social programs, a deal worked out with the likes of Morgan Guaranty. In a recent discussion, de Vries said confidently, "Look at St. Germain. He doesn't want to look at new money for the IMF. Too bad. His public is complaining that there is all this unemployment in Detroit. So why should the U.S. government give money to bail out Brazil? He's too worried about that. So we have to make deals. That's what St. Germain was talking about two weeks ago, when he said certain things have to be done on the domestic economy. . . ."

St. Germain virtually signed such a deal with a letter to the *Washington Post* Jan. 5, bemoaning "record budget deficits, high unemployment and people literally standing in soup lines." While noting that "current IMF operations do constitute bailouts in many situations," St. Germain added that "such bailouts may serve a public purpose under certain circumstances. I have consistently supported the IMF in votes spanning 22 years on this committee."

Capitol Hill sources report that liberals and conservatives alike will also engage in another game that will not direct opposition to funding the IMF, but to which countries the IMF lends money. Members of the Black Caucus, for example, will reportedly seek riders to the IMF authorization banning any loans to South Africa, while "conservative" Rep. Jack Kemp (R-N. Y.), one of the BIS's favorite mouthpieces, will target India with a cutoff of lending.

At the same time that Congress is to undergo such misdirection and a BIS scare campaign, George Shultz, Treasury Secretary Don Regan, and Budget Director David Stockman, with backing from the Senate GOP leadership, have been threatening Reagan with the specter of financial collapse unless he makes further onerous budget reductions as the BIS and Federal Reserve chairman Paul Volcker have demanded. The pressure on the President is intense, and in his televised press conference Jan. 5, he showed the signs that he is close to capitulation on not only budgetary austerity but on bailing out the major banks at the expense of the U.S. economy and the country's national sovereignty.

Asked what steps he was taking to deal with "any danger to the banking system" as a result of the international debt crisis, Reagan replied, "We have been taking a number of steps with regard to the International Monetary Fund that are available for bailouts and so forth. Increase the contributions to those . . . I'm inclined to believe that we're going to come through this all right." But he concluded by echoing the BIS line designed to enforce the complete subjugation of the U.S. economy, saying, "If there was widespread default, there would, of course, be some very severe financial problems."

Princeton fusion device to achieve energy breakeven

by Charles B. Stevens

At 3:06 AM on Dec. 24, 1982, scientists at the Princeton Plasma Physics Laboratory (PPPL) began operation of the world's largest fusion energy experiment, the Tokamak Fusion Test Reactor (TFTR). The TFTR will be the first device to control the energy released by the fusing together of two hydrogen atoms to generate a net output of usable energy—a condition known as “energy breakeven.” And, while full-scale operation is still many months away, these first test runs of the Princeton device constitute a technological achievement as significant as the first landing of men on the Moon. The TFTR will provide a proof of the magnetic fusion energy's feasibility and go a long way toward making fusion—which uses the almost unlimited supply of heavy hydrogen found in seawater as its fuel—into an economical and practical electricity source.

At a press conference announcing the start-up of TFTR, the Director of Information for Princeton Labs, Anthony DeMaio, reported that the first “shot”, or injection of a hydrogen test plasma into TFTR had been more successful than anticipated, achieving plasma containment and energy flux on its first attempt. More than 400 shots are planned to be done by April in a heavy test schedule of components and behavior of the reactor under many different conditions, prior to the first compression and full Ohmic heating experiments to bring the plasma up to high temperatures, which will begin that month.

By September a neutral heating beam device will be used for the first time to reach plasma temperatures on the order of 100,000,000°C, well in the range for power-producing fusion plasmas. DeMaio said that breakeven experiments with DT (deuterium-tritium) fuel are planned for 1986, though the conditions needed for breakeven will be demonstrated by 1985 with all deuterium plasmas.

Only constraints are political

What the enormous success of the TFTR already demonstrates is that the only constraints to development of this limitless energy source are political ones.

As mandated by the Magnetic Fusion Engineering Act of 1980, and proven by scores of government reports, magnetic fusion power plants could be commercially demonstrated before the end of this century, if sufficient resources are devoted to development.

The TFTR's success thereby reconfirms the argument advanced by this reporter, and two organizations with which he is associated, the *Executive Intelligence Review* and the Fusion Energy Foundation, which have campaigned for fusion by the 1990s since 1974.

But current administration policy was reflected in the statement of Presidential Science Adviser Dr. George Keyworth that while the TFTR start-up “means a tremendous amount of hope for fusion power,” it “will be well into the 21st century” before any commercial fusion applications are attempted.

What proponents of fusion energy hope is that the TFTR success can provide the spark to reignite the United States' commitment to fusion development. In any case, the breakthroughs made at Princeton will not be wasted. If not incorporated into a U.S. R & D program, they will nonetheless be used by the nation emerging as the world's leader in fusion energy development—Japan.

Birth of a reactor

The TFTR was born in 1973 as an idea of Dr. Robert Hirsch who was at that time director of the U.S. controlled fusion program. The initial breakthroughs which had been accomplished by the Soviets in the late 1960s with their

tokamak magnetic confinement concept had been confirmed on a number of U.S. experiments together with significant advances involving the heating and control of tokamak fusion plasmas. Until that time all existing and planned magnetic fusion experiments used unreactive hydrogen and deuterium fueled plasmas. This avoided having to deal with the engineering and technical difficulties of plasmas generating intense fusion energy outputs. Most of the significant scientific questions concerning the problem of generating the conditions needed to ignite nuclear fusion could still be addressed while keeping the experimental facilities readily accessible and unencumbered with energy removal and shielding equipment.

But as fusion director Hirsch pointed out at the time, if the goal of practical fusion power plants is to be attained in a timely fashion, the program must meet and address the problems of fully reactive deuterium-tritium fusion plasmas as soon as scientifically feasible. Hirsch therefore took the bold step of mandating that the next major magnetic fusion facility would have to be designed to run with deuterium-tritium fueling.

Hirsch's idea was that the TFTR would mark the beginning of the engineering phase for the development of the first fusion electric power reactor prototypes. At the time, given the many basic scientific questions which remained unresolved, this Hirsch initiative appeared to be bold and quite ambitious.

The tokamak and fusion

When Hirsch conceived of the TFTR, the chief problem up to that point in magnetic confinement fusion research had been that of successfully designing a "magnetic bottle" or "trap" which would confine and insulate hydrogen fusion fuel while it was heated up to the enormous temperatures needed to spark significant numbers of fusion reactions.

The easiest fusion reaction to ignite is that between the two heavy isotopes of hydrogen, deuterium and tritium. At temperatures above 50,000,000° Celsius, this D-T reaction becomes sufficiently vigorous such that more fusion energy can be generated than the energy it takes to heat the fuel to these temperatures. But in order to achieve this energy break-even or net energy producing situation, the fusion fuel must be maintained at a sufficient density for significant amounts of reactions to take place. And the fuel must be sufficiently insulated that it does not lose its heat content faster than the rate at which fusion energy is being generated. This is measured as an energy confinement time.

The conditions of density and energy confinement are combined to form a product which must be greater than one hundred trillion seconds-nuclei per cubic centimeter.

When a material is heated to anywhere near fusion temperatures, its atoms become ionized and it forms an "electrified" gas called a plasma. The problem for magnetic confinement fusion is to find a configuration of magnetic fields which

stably interacts with the hydrogen plasma to keep its energy confined in the plasma itself. The tokamak magnetic confinement system has the shape of a donut. The tokamak was the first magnetic configuration to achieve stable confinement of hydrogen plasmas.

In 1978 the Princeton PLT tokamak showed for the first time that temperatures in excess of 80,000,000°C could be stably attained. This was achieved through utilizing neutral beam heaters supplied by Oak Ridge National Lab. And as pointed out by Dr. Stephen O. Dean, who was then the director of confinement systems research in the U.S. magnetic fusion program, this meant that there were no scientific barriers to the construction of prototype fusion reactors within the next 10 to 15 years.

Malthusian attempted sabotage

But to the mind of the Malthusian Carter administration, the near-term prospect of abundant, cheap and clean fusion energy was anathema. Thanks to the efforts of Dr. Dean and the Fusion Energy Foundation, the PLT breakthrough received the international attention it deserved in print and broadcast media, including a front page article in the *Washington Post*. Energy Secretary James Schlesinger thereupon mounted extraordinary efforts to blunt the impact of his own department's achievement, belittling the PLT results and insisting that news reports had been greatly exaggerated. Dr. Robert Hirsch was driven out of government in 1976. When Dr. Dean refused to suppress the news of the 1978 breakthrough, he too was forced out. Many attempts to cut the fusion research budget, and the TFTR in particular, were mounted by the Carter administration. But even Carter appointed review panels were forced to admit the great progress and promise shown by the U.S. magnetic fusion program. And the program was able to at least maintain 1976 funding levels.

As a result of the efforts of the Fusion Energy Foundation and Rep. Mike McCormack, Congress was persuaded to recognize the progress of fusion research through the passage of the 1980 Magnetic Fusion Engineering Act which called for the realization of demonstration commercial electric fusion power reactors by the year 2000.

The FEF carried out a nationwide postcard campaign that demonstrated to Congressmen and Senators that their constituents understood and felt strongly about this supposedly abstract and technical issue.

But the Reagan administration so far has proved to be only a little more willing than its predecessor to move ahead with fusion development. The director of the magnetic fusion program in the Department of Energy, Dr. Edwin Kintner, was forced to resign in despair a year ago.

The successful inauguration of the TFTR at Princeton Labs can function as a powerful reminder of the feasibility and necessity of the nation's still unfulfilled commitment to fusion energy development.

LaRouche tells ICLC conference: beam-weapons policy is the key

by Mary McCourt

There is only one means by which the world's current descent into the worst depression since the 14th century can be stopped, *EIR* founder Lyndon H. LaRouche stated in his keynote address to the Dec. 30-Jan. 2 conference of the International Caucus of Labor Committees in New York. "We must create a chain reaction of rationality among people and governments, to ensure that the new credit and monetary arrangements essential to avoiding this catastrophe are made. The beam weapons development proposals made by myself and Dr. Edward Teller during the April-May period, provide us the opportunity to set off this chain reaction."

The problem facing the world is not a lack of knowledge, LaRouche told 650 members and guests of the ICLC, the political cadre organization he founded in 1969. It is rather a failure of nerve, a lack of what 19th-century German military theorist Karl von Clausewitz called *Entschlossenheit*. A decision by the U.S. government in the coming weeks to carry out a policy of developing beam weapons could deal such a serious blow to the Malthusian oligarchy who have brought the world to its current crisis, that nations could be shocked out of the dominant matrix of cultural pessimism, in which it seems "more practical" to be complicit in mass murder against their own populations than to act in a rational fashion to solve the crisis.

The crisis can be reversed, LaRouche demonstrated, but, as both he and Helga-Zepp LaRouche, Chairman of the European Labor Party, emphasized in their presentations to the conference, the world is very close to what classical German dramatist and poet Friedrich Schiller called the *punctum saliens*, the point of no return past which humanity is condemned to play out its march towards destruction. That point cannot be predicted exactly, as Zepp-LaRouche stated, but the March 1 summit of the Non-Aligned movement in New Delhi, India could well be the last political opportunity to set off the "chain reaction of rationality" Lyndon LaRouche described.

Economic authority

We speak with authority on these questions, LaRouche emphasized to his audience, which included representatives

from 27 states, 30 candidates for public office, and representatives of the governments of Colombia, Vietnam, and Ecuador. "The quarterly forecast of LaRouche-Riemann econometric model, published in *EIR*, has been consistently correct when Chase Econometrics, Data Resources, and other so-called econometric devices have been consistently wrong, in fact absurd. . . . Most people know there will not be a recovery in 1983, despite the consumer fraud practiced in Washington of cooking up a set of statistics that will 'send a positive signal'—we used to call it lying."

We are already in a depression, and have been since the period of October 1981 to February 1982. Third World debt is ballooning at the same time that their ability to pay that debt is collapsing, as world trade is destroyed. Yet compared to the United States and Western Europe, the finances of the Third World are a pillar of stability, because the internal structure of the U.S. economy is so rotten. We are facing a world-wide collapse of paper values in the order of \$1-2 trillion.

But even beyond the consistent accuracy of the assessments and forecasts of the world economic situation by the LaRouche-Riemann model, LaRouche emphasized, he and his associates have proposed to the debtor nations of the developing sector how they could use their debt as a weapon against the international financial oligarchy, to force the creation of a new world economic order. This policy, the "debt bomb," was proposed to Ibero-American nations coming out of the Malvinas war this past spring. Yet, "the governments and leaders of the developing sector, some of them admirable, all failed. . . . They knew what had to be done, they knew the alternative meant misery and death for their own peoples. Yet they failed to act." This was not the first time there has been such a failure of nerve. Since the 1976 Colombo, Sri Lanka conference adopted the policy of new world economic order, Henry Kissinger has been deployed by the Malthusians to destroy one developing sector national government after another—the governments of Sri Lanka, Pakistan, and India were all victims. Kissinger carried these threats into the advanced sector, against the governments of France, West Germany, and Italy.

Within the United States, this cultural matrix that accepts the “practicality” of national self-destruction rather than taking action to change a strategic situation, was created—again by Henry Kissinger, by Robert Strange McNamara, and by their masters, the Harrimans and Morgans—through the policy of MAD—mutually assured destruction.

The MAD doctrine itself, with the concurrent supposed attempts to deter nuclear war—SALT, détente, and so forth—created the conditions that ensured a countdown to nuclear confrontation. With MAD, nations were supposed to no longer need in-depth trained manpower and logistical capacity to fight a modern war, and therefore the military and industrial capacity of the United States were decimated over two decades.

This was the purpose for which the Malthusians introduced the MAD doctrine in the first place after the Kennedy assassination: to destroy the United States, the nation founded as a vehicle for technological progress. The development of the beam weapons themselves are not the fundamental issue, LaRouche noted, but the ability of such a program to reverse this two-decade deterioration of U.S. technology and commitment to progress.

“The choice exists for us in the next few weeks. If we do not grab it, then I believe we will have reached, for civilization, the point of no return. If we do not do this, I know not what we can do,” LaRouche concluded.

‘Winning the peace’

Helga Zepp-LaRouche, chairman of the European Labor Party and founder of the Club of Life, led the ICLC conference panel on “winning the peace.”

The Club of Life, which Zepp-LaRouche first proposed at the New York ICLC conference one year ago, has clearly become the only international institution which can fight for the New World Economic Order worldwide, she stated. Just two months after the official founding of the Club of Life in Rome, it is recognized by leaders of both the advanced and developing sectors as the one institution capable of pulling in all those people around the world committed to “the sacredness of human life, and a just world order that is in accordance with the laws of the universe—a world order without oligarchs.”

Zepp-LaRouche described the political battles the Club of Life had waged in its two months of existence: helping to free Ali Bhutto’s widow from political arrest in Pakistan, the discrediting of Zia ul-Haq’s December tour of the United States and Canada. Now, she went on, the Club of Life is founding national organizations, in Spain and in Africa. Such national organizations will include members of governments and perhaps entire governments—exactly the nonlinear, political chain reaction that could reverse the current political and economic collapse.

The oligarchy is as aware as we are that this current

period, leading up to the March Non-Aligned summit, will determine if humanity will go beyond the point of no return. There is total war now, Zepp-LaRouche declared, between North and South, between the oligarchs and the human race. It is the unique role of the Club of Life, as the only organization that has proven it can bridge the gulf between North and South, to now mobilize every force possible to ensure the developing sector nations do not again fail in courage. If this is done, by organizing a change in strategy among the Non-Aligned nations, by ensuring that Indian Prime Minister Gandhi seeks support from the North, and by organizing conferences in Paris, in Washington, D.C., and in Madrid to demonstrate that support, we will prove that mankind is able to change and control its own history.

‘Shockwaves for growth’

The series of six panels in the three-day conference developed for the audience how the introduction of the beam weapons program will create the political and economic shock wave necessary to reverse the crisis. Using the LaRouche-Riemann model, panelists including Fusion Energy Foundation Research Director Dr. Uwe Parpart, ICLC executive member Carol White, *Fusion* magazine editor-in-chief Dr. Steven Bardwell, and *EIR* economics editor David Goldman described both historical precedents and current potentials for such technological innovations to change the course of economic development.

One panel, focusing on Asia, the continent where 7 of the world’s 10 largest nations are located, discussed the unique opportunity of the March Non-Aligned Movement summit to change the course of history. Javed Shah, leader of the Pakistan People’s Party in the United States, and Dr. Uwe Parpart, discussed the geographic and demographic importance of Asia, and the 2,500-year cultural history of India which has made that nation the scientific leader of the developing sector and potentially the fourth or fifth economic power in the world.

EIR editor-in-chief Criton Zoakos, just returned from Egypt, Ibero-American editor Robyn Quijano, and Middle East correspondent Mark Burdman described the effects of an economic development shockwave in those regions.

The effects of cultural pessimism were described in two panels. Criton Zoakos, *EIR* Soviet sector editor Rachel Douglas, and Wiesbaden correspondent Edith Vitali described how Henry Kissinger and other oligarchical Anglo-KGB agents have been created and deployed against world republican leaders. In the final panel, contributing editors Nancy Spannaus and Christopher White described the role of Freemasonry internationally, and particularly the “public-opinion” cult embodied in the *New York Times* in attempting to control and destroy the commitment to progress and rational, scientific thinking that has created economic and political shock waves in the past.

Book Review

A 'conspiracy' book by the conspirators

by Carol White

The Anglo-American Establishment

by Carroll Quigley

1981 Books in Focus

This book opens with a deliciously conspiratorial note from the publisher, Stephen A. Zarlenga, to the effect that the manuscript of this book was discovered under mysterious circumstances on the Island of Rhodes in 1967, eighteen years after Quigley had written it. Why did Quigley write it? Well, he says in his preface that his purpose was not to attack the Anglo-American establishment to whose purposes he subscribes, but to expose the conspiratorial method by which it operates to its own detriment.

Under the circumstances one wonders why it was suppressed for 33 years, only now to see the light of day. Reading the book does not provide the answer.

As one who has also written a book on the subject, I found the author's concurrence with my surmises about the importance of the Cecil Rhodes circle in the 19th-century British Round Table grouping satisfying, although, typical of his general method, Quigley failed to identify the historic role of the Cecil family from the time of Francis Bacon's uncle, William Cecil, the evil counsellor of Elizabeth I. The most damning part of the book, as an exposé of British policy, is his dating the Round Table commitment to force Nazism on Germany, to the immediate post-World War I period.

That said, and the publication of his later work *Tragedy*

and *Hope* taken into consideration, a book which dealt with much the same material in greater detail, what made this book worthy of being metaphorically, at least, banned in Boston? And why publish it posthumously now?

An excerpt from the book, selected by the publishers for the jacket, encapsulates Quigley's stated purpose:

"It is not easy for an outsider to write the history of a secret group of this kind, but . . . it should be done, for this group is, as I shall show, one of the most important historical facts of the twentieth century. . . . I suppose in the long view my attitude would not be far different from that of the [society] . . . but agreeing with the group on goals, I cannot agree with them on methods. . . . In this group were persons who must command the admiration and affection of all who know of them. On the other hand . . . in this group were persons whose lives have been a disaster to our way of life. Unfortunately . . . the influence of of the latter kind has been stronger. . . . I have been told that the story I relate here would be better left untold. . . . The last thing I should wish is that anything I write could be used by the anglophobes . . . but I feel the truth . . . once told . . . can be of injury to no men of good will."

Clearly the book has a natural market among the wide circle of conspiracy buffs who have been cultivated by the radical right. Nonetheless, I venture the following hypothesis: I suggest that this book has mysteriously surfaced at this time as a deception operation by the same circles whom it purports to criticize. I suggest that they have done so to counter the far more devastating revelations about the Anglo-American establishment published in this journal and associated publications.

● The British monarchy runs the Anglo-American establishment as a top-down operation. It is a truly ludicrous supposition that Cecil Rhodes concocted the Round Table grouping from whole cloth, on the model of the Jesuits, and that Round Table strategists William Stead and Sir Alfred Milner were attracted to Rhodes by his ideological conviction. One has merely to reflect on the historic role of that far more powerful conspiracy, the East India Company, to recognize that the methods of the Round Table have been the methods of the British oligarchy since they lost the United States.

Quigley himself documents the role of Lord Esher, Reginald Baliol Brett, who as Governor of Windsor Castle served as the direct liaison from the monarchy to the group from the time of its formation. Rhodes from his earliest days in Africa was financed by the Beit Trust. His success in capturing 75 percent of the diamond trade in fact substantiates the claim that once he proved his capability, he was always under assignment from the government circles which assumed the responsibilities of the East India Company.

The diamond trade is a well-known medium of exchange for drugs, a trade patronized by the Crown and upper reaches of the British aristocracy. Milner joined Rhodes in South

Africa as High Commissioner, appointed by the Crown.

It is of course obvious, upon consideration, that the major areas of concern to the Round Table group are precisely those which the East India Company was forced to service, the Round Table's more liberal policy lines merely reflecting the realities of the would-be empire-builder in the modern world. If it was unpalatable to Americans in 1921 to designate the American branch of the Royal Institute of International Affairs by its name, necessitating the subterfuge of calling it the Council on Foreign Relations, how much less palatable for Quigley to give full cognizance to the "Royal" in its title.

• Quigley claims that the Round Table group were a bunch of idealists who gained inordinate power over government by attaching themselves to the Cecil circles, and that they were unchallenged in this power because they also controlled the media, in particular the *London Times* and *Economist*, and were thus immune from criticism. With the caveat that this power was delegated to them by government, that is by the monarchy itself, this was surely the case. However, Quigley then claims that with the advent of the Labour government to power in 1945, and the aging of some of its founding members, the Round Table grouping was eclipsed as a force.

Not only is this preposterous viewed in retrospect, at the time of Quigley's writing the connections of the Round Table grouping to the Fabian Society, which spawned the Labour Party, were well known.

• Quigley lied about the true nature of the Round Table grouping, even while he pretended to criticize it. He describes it as imperialist in foreign policy and concerned with social welfare domestically. It is truly amazing that this ardent supporter of Sen. Joseph McCarthy should not have noted that Mr. Toynbee, the Director of Intelligence for the Royal Institute, who had officially served in that same capacity during the war for the British Foreign Office, was a self-avowed communist sympathizer.

Perhaps the most amazing omission from this tell-it-all book is the true role of Arnold J. Toynbee.

As early as 1948, when returning GIs were just settling down to enjoy the fruits of victory, of celebrating the defeat of fascism, Toynbee quite openly plotted its reemergence in the book *Civilization on Trial*.

"Briefly stated, the regular pattern of social disintegration is a schism of the disintegrating society into a recalcitrant proletariat and a less and less effective dominant minority. The process of disintegration does not proceed evenly; it jolts along in alternating spasms of rout, rally and rout. In the last rally but one, the dominant minority succeeds in temporarily arresting the society's lethal self-laceration by imposing on it the peace of a universal state. Within the framework of the dominant minority's universal state the proletariat creates a universal church, and after the next rout, in which the disintegrating civilization finally dissolves, the universal church may live to be the chrysalis from which a new civilization

eventually emerges."

The tactic with the U.S.S.R. was to encourage Jacobin tendencies at the expense of those forces seeking détente and technological development. What may be less clear is the extent of British penetration into the Russian Orthodox Church-controlled wing of the KGB. Toynbee writes in *Janus at Seventy-Five*:

"For nearly a thousand years past, the Russians have been members, not of our Western Civilization, but of the Byzantine—a sister society, of the same Graeco-Roman parentage as our own. Nevertheless, the Russian members of this Byzantine family have always put up a strong resistance against threats of being overwhelmed by our Western world, and they are keeping up this resistance today. In order to save themselves from being conquered and forcibly assimilated by the West, they have repeatedly been constrained to make themselves masters of our Western technology."

A more succinct statement is found in his 1953 *The World and the West*.

Toynbee wrote there: "It looks as if, in the encounter between Russia and the West, the spiritual initiative—though not the technological lead,—has now passed, at any rate for the moment, from the Western to the Russian side. . . . [This] does not, of course, mean that communism is destined to prevail. . . . All the same, communism's success, so far as it has gone, looks like a portent of things to come."

It is beyond the scope of this review to document Toynbee's actual role in turning the KGB into a serviceable asset of British intelligence, but it should suffice to note that Quigley, up until the time of his death in 1977, never identified the evil of this man who carried the mantle of Rhodes and Milner.

In the same book, Toynbee wrote: "In the new gods who have made their epiphany [a reference to the Roman Empire] we are at last in the presence of divinities to whom we can devote ourselves with all our heart, mind and strength. Mithras will lead us as our captain, Isis will nurse us as our mother. Christ has emptied himself of his divine power and glory to become incarnate for our sake. . . . The new religions which were being offered to all men and women without respect of persons would have stuck in a philosopher's throat if the missionary had not sugared the strange pill for him. . . ."

"After the Greeks and Romans had conquered the world by force of arms, the world took its conquerors captive by converting them to new religions which addressed their message to all human souls. . . . Is something like this historic denouement of the Greco-Roman story going to be written into the unfinished history of the world's encounter with the West? We cannot say, since we cannot foretell the future. We can only see that something which has actually happened once, in another episode of history, must at least be one of the possibilities that lie ahead of us."

It was this perspective which Quigley did not see fit to attack.

National News

NASA wins fight with budget office

The National Aeronautics and Space Administration (NASA) has won an important fight with the Office of Management and Budget over its fiscal year 1984 funding.

The space agency had submitted a request for \$7.721 billion to the OMB for FY84. The OMB reduced the figure. The NASA request included money for a new planetary mission to use radar to map Venus, for a fifth orbiter for the Shuttle fleet, and for the space station research necessary to place a station in Earth orbit within a decade. The OMB cut out all new starts.

According to the magazine *Aviation Week and Space Technology*, with support from the White House Senior Interagency Group for Space, NASA secured \$100 million toward the fifth orbiter. Though the agency had requested double that amount, this commitment will prevent the industrial contractor, Rockwell International, from beginning to lay off specially trained personnel needed to build the fleet orbiters.

The NASA leadership can still appeal directly to the President.

One of every six hospitals may close

Hospital industry sources believe that as many as 1,000 of the nation's roughly 6,000 public and private hospitals may close in the next several years, even at current rates of U.S. economic disintegration. Following up on a November conference in Washington on "Thinking the Unthinkable" about urban hospital closings, the *Christian Science Monitor* reported Jan. 5 that such gutting of medical care in the United States will result from "stiff competition with other facilities, coupled with shrinking government revenues that can be spent on reimbursing health-care costs."

Led by hospitals in the Northeast targeted by Sen. Edward Kennedy's "triage" war on health care, many hospitals are already

merging and consolidating, often having to dip into their endowments just to break even. Sources in the hospital industry say that the "least fortunate" hospitals will simply fail, the *Monitor* reports, especially urban facilities with large "charity" loads. Massachusetts recently passed a law requiring all hospitals in the state to reduce their budgets by an average of 1.25 percent a year over the next six years. David Kinzer, president of the Massachusetts Hospital Association, reported that already hospitals in the state have stopped hiring, and are cutting their staffs.

Kemp trying intercept of beam-weapons idea

Aides to Rep. Jack Kemp (R-NY) report that the former football player is ready to take the field to block a crash program for the development of beam weapons as proposed by Democratic Party figure Lyndon H. LaRouche, Jr.

Kemp is said to be totally familiar with the proposals of both LaRouche and scientist Dr. Edward Teller. While Kemp will support funding for R&D for beam weapons and supports an "active strategic defense," he disagrees with both LaRouche and Teller that the U.S. must abandon its nuclear deterrent posture and the doctrine of Mutually Assured Destruction (MAD) in favor of a beam weapon-based doctrine of Mutually Assured Survival. Kemp's aides say that he feels that the U.S. must now prepare itself to fight a limited nuclear war and that all development of Anti-ballistic missile systems must be done within this context.

Kemp also rejects the arguments that a crash beam weapons development program would have beneficial effects on the economy. The Congressman, according to his aides, will never accept the idea that defense spending should be used to promote a recovery. That must be done solely through the private sector, no matter how long that takes. Besides, no one has proven the feasibility of beam weapons, the aide continued, and we cannot bet on their success.

The Congressman plans to speak out on this matter in what is anticipated as a major debate on ballistic missile defense in the forthcoming session of Congress.

Bombings aimed at Reagan administration

Five New Year's eve bombings in New York City marked the beginning of what *Investigative Leads*, a leading intelligence report, has for months warned would be an outbreak of terrorism in the United States, aimed at undermining the Reagan administration.

The Puerto Rican FALN, which claimed responsibility for the bombings, targeted both federal and state law enforcement buildings. One bombing left three policemen seriously injured. Law enforcement sources believe the bombings could lead to a bloody war between the terrorist group and New York City police.

Intelligence sources further estimate that a national terrorist infrastructure is now being set into place, with a target date of early spring for more widespread terrorism. This network plans to hit the entire East Coast and Chicago with a wave of attacks. Sources also say that electrical generators, oil refineries, and oil pipelines in the southern United States will be included as targets in this terrorist outbreak.

This new terrorist uprising is being timed to occur at precisely the point when the U.S. economy is expected to unravel. AFL-CIO head Lane Kirkland has already threatened the President with riots of unemployed workers this spring. Both tracks will go a long way to weaken the administration and destroy Reagan's re-election in 1984.

A new element in this terrorist apparatus is an organization known only as TEAM International, based in New York City. TEAM, according to Arab intelligence sources, was formed in the aftermath of the Israeli invasion of Beirut, Lebanon, when thousands of Arab terrorists were forced to leave that area, and relocated elsewhere.

Kroll Associates named in LaRouche death try

According to information provided to *EIR*, Kroll Associates, a New York City-based

Briefly

private security firm interlocked with the IBM Corp., has been contracted since fall 1981 to coordinate containment and also assassination operations against *EIR* founder Lyndon LaRouche and his wife Helga Zepp-LaRouche. According to these usually reliable sources, Kroll Associates was complicit in plans to kill the LaRouches at the founding conference of the Club of Life in Rome last October. These same sources report that Kroll is assisting Manhattan District Attorney Robert Morgenthau in a grand jury investigation of LaRouche-allied organizations, which is also designed to aid a LaRouche assassination.

Kroll Associates describes itself as a fairly small private investigative agency, but in reality functions as a "cut out" for the Morgan-dominated IBM Corp, with personnel drawn primarily from IBM, the FBI, the Royal Canadian Mounted Police, Scotland Yard, and the West German BKA. Kroll founder Jules Kroll, before going into business for himself, was closely associated with such dirty tricksters as Walter Sheridan and Victor Kovner.

Indicative of IBM's control of Kroll is that its small board includes Joe Rosetti, director of IBM security. Kroll's Vice President, David Samuel, is a former security program manager at IBM, having served under Rosetti. Kroll also retains as its director of operations William Kiosh, who for the past seven years has been the director of FBI operations in Britain and Scandinavia.

Kroll's British operations, according to David Samuel, are run by Michael Comer, who operates out of Network Security Management Ltd., a front for Cocoa Merchants Ltd. Cocoa Merchants, one of the largest Cocoa companies in Britain, is a direct extension of the British foreign office, whose notorious colonial operations in West Africa are coordinated with Cadbury Ltd., a front for Lord Carrington.

Comer's background is in customs intelligence, specializing in narcotics investigation. Last year Cocoa Merchants was purchased by Britain's Phillips Brothers, whose intelligence system is described by senior partner Henry Rothschild as "perhaps the most sophisticated in the world with the possible exception of the Defense Department and the CIA."

Kroll's current clients include the United Brands Co., Meyer Lansky, Israeli Mafia

kingpin Rafi Shauli, and the New York ADL-Vesco-linked Willkie, Farr, and Gallagher law firm.

New York D.A. called foreign agent

The National Caucus of Labor Committees filed a complaint with the U.S. Department of Justice and the Senate Intelligence Committee last month against New York District Attorney Robert Morgenthau for failure to register as a foreign agent. Morgenthau has been collaborating with the *New York Times* to create a witchhunt against *EIR* founder Lyndon LaRouche, including a Nov. 16 police raid on the PMR printing company, printers of *EIR*. Morgenthau is charged in the complaint with working as an agent of an organized crime faction of the Israeli government.

According to the complaint, Morgenthau has:

- Founded and served as Honorary Chairman of an organization created in the U.S.A. by Israeli Defense Minister Ariel Sharon and Yuval Neeman to propagandize in favor of West Bank expansion. Morgenthau's International Conference for P.E.A.C.E. is enabling Sharon and his organized crime associates to make a fortune, buying up West Bank real estate with the proceeds of drug traffic in anticipation of huge speculative gains.

- Covered up the biggest banking scandal of the past decade—the 1976 looting and takeover of the American Bank and Trust Co. The D.A.'s cover-up of this \$45 million rip-off of depositors concealed a trail leading to top figures in world narcotics traffic, such as Meyer Lansky, and conveniently let off such big time swindlers as ABT officer John Samuels, the biggest contributor and fundraiser for Morgenthau's 1974 election.

- Founded and heads an interstate law enforcement apparatus called Project Leviticus which law enforcement sources believe to have developed and passed information to the Israeli intelligence service Mossad. Leviticus played a role in the Terpil-Wilson prosecution, passing information withheld from the U.S. intelligence community to the Mossad, insiders report.

- **SENATOR JESSE HELMS** (R—N.C.), led the "Lame Duck" session fight in the U.S. Senate against the gas tax "jobs" bill, with a filibuster that the eastern press anxiously portrayed as the least popular action ever undertaken in the U.S. Senate. But according to sources close to the Senator, he received more support from all over the country for this one action than on any other fight Helms has ever taken on—including the anti-abortion issue and the school prayer controversy.

- **STATE DEPARTMENT** spokesman John Hughes replied to the British-created clamor over a Soviet nuclear-powered satellite by telling the press Jan. 5 that "based on a study of orbital attitudes of the Soviet satellite, our experts have concluded that it has a 70 percent chance of falling into the ocean." 70 percent of the earth's surface is ocean. Those government computers are really sharp.

- **SEN. CHARLES MATHIAS** (R-M.D.) will hold hearings Jan. 26 and 27 before his Rules committee to consider how the election laws should be changed for the 1984 campaign. The committee will consider whether there should be new limits on total contributions a candidate can receive from political action committees, and whether the limit on individual and party contributions should be raised to account for inflation.

- **SOURCES ALL** over Washington are putting out the word that *anyone* who wages a political fight against making the U.S. economy pay to bail out the international banks—the "IMF bail-out"—will find himself suddenly involved in IRS audits and election campaign financing investigations—up to and including, as one pro-bail-out source put it, "old, nice, clean Ronald Reagan," if he has the courage to buck the bankers.

Mankind's punctum saliens

In December 1981, European Labor Party chairman Helga Zepp-LaRouche made an urgent call for the creation of a "Club of Life" as a counterpoint to the genocidalists controlling policy-making who are intent on implementing the Global 2000 plan to eliminate 2 billion people from the face of the Earth by the year 2000.

One year later, and just two months after its birth at founding conferences in Rome, Wiesbaden, and 10 other cities, the Club of Life has already become a beacon of hope to people, particularly in the Third World, who otherwise would despair about the future of their nations. As Zepp-LaRouche reported at the 1982 year-end conference of the International Caucus of Labor Committees held in New York City, the creation of the Club of Life was necessary: right now, the continent of Africa faces a fight for survival against the IMF, World Bank, and BIS, whose policies declare that 350 million people on that continent must die.

The Club of Life was born not a moment too soon, for mankind is presently facing its *punctum saliens*—the point of no return at which we must decide, by our actions, whether the human race has the will to survive. The March 1 meeting of the Non-Aligned movement, to be chaired by Indian Prime Minister Indira Gandhi in New Delhi, must be treated as that *punctum saliens*, because these nations—if they implement Lyndon LaRouche's Operation Juárez by declaring debt moratoria, and act to create a New World Economic Order—can provide the necessary "shock" to the advanced sector, to set them in motion in support of such a re-ordering of the world's financial institutions.

The Third World is staggering under the burden of \$300 billion in debt payments which come due in 1983, a debt which cannot be paid. The March 1 deadline may well be the last time that the combination of forces—of both North and South—can be pulled together before the world depression goes into a full-scale collapse and the opportunity to avoid world catastrophe will have been missed.

Helga LaRouche has outlined a three-tiered ap-

proach to ensure that the opportunity is not missed. The agenda for the March 1 meeting must be set early—preferably in January—so that the Non-Aligned speak with one voice in New Delhi. The Club of Life, in December, began an international campaign to educate the leadership of those nations in support of Operation Juárez. Special efforts are underway to encourage Indira Gandhi to act with this perspective; Club of Life emissaries across the globe are meeting with Indian diplomats to ensure that goal is met.

The Club of Life is simultaneously organizing to send a strong message to the non-aligned, particularly from the advanced sector, that its moves to drop the "debt bomb" and create a New World Economic Order would be supported. In February, conferences will be held throughout North America, Western Europe, and Japan which, in Helga LaRouche's words will be a "tremendous chorus, a big voice for the new world economic order." Two major conferences, in Paris and Washington, D.C., will be held in unison with up to 50 conferences worldwide, all with the same message. In the process, the Club of Life will be built as a mass institution, whose membership should reach 10 million by the end of the year. Helga LaRouche led the call for already existing institutions and governments to join.

The *Time* magazine Jan. 10 "Debt Bomb" cover story demonstrates that the enemy, meanwhile, has not been idle. The British plan, in collusion with the Swiss, to dump the weight of a \$1.4 billion world debt crisis onto the United States Treasury, added to the joint British-KGB campaign to prevent the U.S. development of beam weapons, means that the Club of Life's initiatives must be re-doubled.

In classical drama, tragedy occurs when the hero, faced with his *punctum saliens*, fails to act to change the course of world events. In the course of 1983, we can act, like a great poet does, to turn the tide of events and bring mankind from the point of no return into a future of prosperity. If this challenge is not met, there will be no hope for the future.

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